

Item 1: Cover Page
Part 2A of Form ADV: Firm Brochure
March 2021

PARADIGM CAPITAL MANAGEMENT, LLC

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This brochure provides information about the qualifications and business practices of Paradigm Capital Management, LLC. Under federal and state law, Paradigm Capital Management, LLC (“Paradigm”) is a fiduciary to our clients. If you have any questions about the contents of this brochure, please contact us by telephone at (775) 829-8787.

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 Paradigm Capital Management, LLC is available on the SEC’s website at www.adviserinfo.sec.gov. You may find other firms with similar names as ours on the website. However, there is no affiliation between our firm and any of these firms with a similar name. Paradigm Capital Management, LLC is a separate and independent firm.

Please note that the use of the term “registered investment adviser” and description of Paradigm Capital Management, LLC and/or our associates as “registered” does not imply a certain level of skill or training. You are encouraged to review this Brochure and Brochure Supplements for more information on the qualifications of our firm and employees.

Item 2: Material Changes

Paradigm Capital Management, LLC is required to advise you of any material changes to our Firm Brochure (“Brochure”).

Prior to this update, the date of our last annual update of our Brochure was January 2020.

- No material changes have been made since our last annual amendment filing.

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Item 4: Advisory Business

Paradigm Capital Management, LLC (“PCM” or the “Firm”) specializes in Investment Management services. The firm is a Limited Liability Company formed in the State of Nevada. PCM has been in business as an investment adviser since 1996. The firm is owned by Bruce and Mary Harvey.

This Brochure discloses potential conflicts of interest associated with investment transactions, compensation and any other matters related to investment decisions made by our firm or its representatives. As a fiduciary, it is our duty to always act in the client’s best interest. This is accomplished by knowing our client and working with them to understand their investment objectives, risk tolerance, and time horizon.

Advisory Services We Offer

We provide individualized investment management services to individual clients and small business clients. When asset valuations change, we modify our portfolios in an attempt to maximize risk-adjusted returns over the long term. We employ continuous security supervision. We customize client accounts using various investment instruments including exchange traded funds (“ETFs”) and individual stocks to build portfolios. We believe liquid, indexed exchange traded funds are an efficient way to access capital markets. From time to time we may own individual bonds, mutual funds and other public investments if client specific circumstances warrant.

Each client has the opportunity to place reasonable restrictions on the types of investments to be held in their portfolio at any time by informing us of those restrictions. Restrictions on investments in certain securities or types of securities may not be possible due to the level of difficulty this would entail in managing the account, in particular with ETF’s and mutual fund investments since we cannot control what those investments may own.

Investment Management Services

All advisory accounts are managed on a discretionary basis in separate client accounts. The firm emphasizes a patient disciplined approach to investments and risk management. As an independent fee-only firm.

Client assets are held with a third party custodian of the client’s choice. Our firm does not take custody of a client’s funds or assets. The firm has a limited power of attorney that authorizes us to make trades on the client’s behalf.

All investment decisions are made within the firm based on our analysis of each specific investment. Our investment strategy is based primarily on fundamental and statistical analysis. We also look at technical factors, including charts upon completion of our fundamental analysis. Client portfolios are not necessarily diversified. We spend considerable time researching and analyzing each investment in

order to minimize risk. This enables us to take more concentrated positions in industries or companies that we have determined have good potential return.

Participation in Wrap Fee Programs

Our firm does not offer or participate in any wrap fee programs.

Regulatory Assets Under Management

As of December 31, 2020, PCM managed \$110,766,700 on a discretionary basis and no assets on a non-discretionary basis.

Item 5: Fees and Compensation

How We Are Compensated for Our Investment Management Services

As a fee-only adviser our firm does not participate in any commission products. The maximum annual fee charged for our management service is 0.85%. The fee assessed on an account(s) is outlined in the Investment Management Agreement. Our firm's fees are billed on a pro-rata annualized basis quarterly in arrears based on the value of the account on the last day of the quarter. Fees will be deducted from the managed account. As part of this process, clients understand and acknowledge the following:

- a) The independent custodian sends statements, at least quarterly, showing the market values for each security included in the portfolio and all disbursements in the account including the amount of the advisory fees paid to us.
- b) The client provides authorization permitting us to be paid directly under these terms. We send our invoice directly to the custodian.

PCM, in its sole discretion, may charge a lesser management fee based upon certain criteria, (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, pre-existing client, etc.)

Other Fees:

Clients may incur transaction fees for trades executed by their chosen custodian, via individual transaction charges. These transaction fees are separate from our firm's advisory fees and will be disclosed by the chosen custodian. Charles Schwab and Company ("Schwab") eliminated transaction fees for U.S. listed equities and exchange traded funds for clients. Clients may pay other charges imposed by their custodian for certain investments. These may include charges imposed directly by a mutual fund, index fund, or exchange traded fund, which are disclosed in the fund's prospectus (e.g., fund management fees, distribution fees, variable annuity fees, IRA and qualified retirement plan fees,

surrender charges, fees for trades executed away from custodian, wire transfer fees and other fees and taxes on brokerage accounts and securities transactions). Our firm does not receive any portion of these fees.

Clients may make contributions to and withdrawals from their account at any time. PCM designs portfolios as long-term investments and assets withdrawn may impair the achievement of a client's investment objectives.

Contributions to accounts may be in cash or securities provided that our firm reserves the right to liquidate any transferred securities, or decline to accept particular securities into a client's account. We may consult with the clients about the options and implications of transferring certain securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, such as fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications. PCM does not receive a portion of any of these fees.

Termination of the Advisory Relationship: A client agreement may be canceled at any time, by either party, for any reason by providing the respective party written notice that they would like to end the service agreement. The Firm does not assess any fees related to termination but will be entitled to all management fees earned up to the date of termination. Upon receipt of a letter of termination, we will proceed to close out the account and bill the client on a pro-rata basis for any services rendered until such time as we receive the notice of termination. Since all fees are paid in arrears no refund will be due to clients.

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

Our firm does not charge performance based fees.

Item 7: Types of Clients

The types of clients we serve include:

- Individuals and High Net Worth Individuals
- Small Businesses
- Trusts & Estates and Charitable Accounts

Our firm's total minimum requirement for opening an account with us is \$500,000 in total household assets. Exceptions may be made on a case by case basis at the sole discretion of the firm's management.

Item 8: Methods of Analysis, Investment Strategies and Risk of Loss

The following methods of analysis and investment strategies may be utilized in managing client assets and formulating our investment advice consistent with the client's investment objectives, time horizon, and risk tolerance, as well as other considerations. The methods all rely on data that is believed to be reliable and unbiased as well as assumptions believed to be reasonable.

General Risks of Owning Securities

The prices of securities held in client accounts and the income they generate may decline in response to certain events taking place around the world. Clients should be aware that investing in securities may result in not achieving desired investing goals, or losing money. These include events directly involving the issuers of securities held as assets in a client's account, conditions affecting the general economy, and overall market changes. Other contributing factors may include local, regional, or global political, social, or economic instability and governmental responses to economic conditions. Interest rate, currency and commodity price fluctuations may also affect security prices. The prices of debt securities in a client's account will generally decline when interest rates rise and increase when interest rates fall.

Methods of Analysis

Fundamental Analysis: We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

Technical Analysis: We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement. A risk of technical analysis is that it does not consider the underlying financial condition of a company.

Qualitative Analysis: For individual equities we subjectively evaluate non-quantifiable factors such as quality of management, labor relations, and strength of research and development factors not readily subject to measurement, and predict changes to share price based on that data. A risk in using qualitative analysis is that our subjective judgement may prove incorrect.

Asset Allocation: In addition to securities selection, we attempt to identify an appropriate ratio of equities, fixed income, and cash suitable to the client's investment goals and risk tolerance. A risk of asset allocation is that the client may not participate in increases in a particular investment industry or

market sector. Another risk is that the ratio of equities, fixed income, and cash equivalents will change over time due market movements and, if not corrected, will no longer be appropriate for the client's goals.

Mutual Fund and/or ETF Analysis: We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager or team has demonstrated an ability to invest successfully over a period of time and in different economic conditions. We look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. We do not control the underlying investments in a fund or ETF. Managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

Non-U.S. Securities: Investments in securities issued by entities based outside the United States may be subject to increased levels of the risks described above. Foreign securities investments may be affected by changes in currency rates or exchange control regulations, changes in governmental administration or economic or monetary policy. Changes in foreign currency exchange rates relative to the U.S. dollar will affect the U.S. dollar value of the assets denominated in that currency and thereby impact the total return on such assets. Different accounting, auditing, financial reporting, disclosure, regulatory and legal standards practices could also affect investments in securities of foreign issuers. Additional factors may include changes in tax policy, greater market volatility, different securities market structures, and higher transaction costs. Various administrative difficulties, such as delays in clearing and settling portfolio transactions, or in receiving payment of dividends can increase risk.

Investment Strategies

We use the following strategies in managing accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

- **Equity Securities:** Equity securities represent an ownership position in a company. Equity securities typically consist of common stocks. The prices of equity securities fluctuate based on, among other things, events specific to their issuers and market, economic and other conditions. There may be little trading in the secondary market for particular equity securities, which may adversely affect our firm's ability to value accurately or dispose of such equity securities. Adverse publicity and investor perceptions, whether or not based on fundamental

analysis, may decrease the value and/or liquidity of equity securities. Investing in smaller companies may pose additional risks as it is often more difficult to dispose of small company stocks, more difficult to obtain information about smaller companies, and the prices of their stocks may be more volatile than stocks of larger, more established companies. Clients should have a long-term perspective and be able to tolerate potentially sharp declines in value.

- **Exchange Traded Funds (“ETFs”):** An ETF is a type of Investment Company (usually, an open-end fund or unit investment trust) whose primary objective is to achieve the same return as a particular market index. A tracking error, or the difference between the returns of a fund and the returns of the index, can arise due to differences in composition, management fees, expenses, and handling of dividends. ETFs benefit from continuous pricing; they can be bought and sold on a stock exchange throughout the trading day. ETFs trade like stocks, so investors can place orders just like an individual stock -such as limit orders, stop loss orders, good-until-canceled orders, etc. They can also be sold short. ETFs are bought and sold at the market prices on the exchanges, which resemble the underlying NAV but are independent of it. Arbitrageurs, however will ensure that ETF prices are kept very close to the NAV of the underlying securities. Investor can buy as few as one share of an ETF, but most buy in board lots. One of the main features of ETFs is their low annual fees, especially when compared to traditional mutual funds. The passive nature of index investing, reduced marketing, and distribution and accounting expenses all contribute to the lower fees.
- **Fixed Income:** Fixed income is a type of investing in which real return rates or periodic income is received at regular intervals and at reasonably predictable levels. Fixed-income investors rely on fixed income investments to provide a regular, stable income stream. Fixed-income investors face the risk of inflation eroding their spending power. A primary risk associated with fixed-income investments is the borrower defaulting on payments. Other considerations include exchange rate risk for international bonds and interest rate risk for long-dated securities. The most common type of fixed-income security is a bond. Bonds are issued by federal governments, major corporations and local municipalities. Fixed-income securities are recommended for investors seeking a diverse portfolio.
- **Long-term purchases:** In utilizing this strategy, we purchase securities with the idea of holding them for a relatively long period of time (typically a year or longer). We employ this strategy when we believe the securities to be currently undervalued, and/or we want exposure to a particular asset class over time, regardless of the current projection for this class. A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline in value before we make the decision to sell.
- **Short-term purchases:** Generally we do not focus on short term purchases because it is more difficult to predict price movements in the short term, as non-fundamental factors such as

supply and demand imbalances can significantly influence short term price movements. However, when utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time period (typically a year or less). We do this in order to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase. There is always the risk that our analysis is incorrect resulting in a short term loss. Over short-term periods irrational pricing behavior can drive security prices; whereas over the long-term securities tend to gravitate to a price that is more reflective of underlying fundamentals.

Risk of Loss

Investing in securities involves risk of loss that clients should be aware of and prepared to bear. There is no guarantee that any investment strategy will achieve its objective. We constantly keep this in mind and do our best to minimize the risk where possible and communicate this to our clients.

Management Risk: The ability of the strategy to meet investment objectives is directly related to the Adviser's investment management of the strategy. The value of your investment in the strategy may vary with the effectiveness of the Adviser's research, analysis and asset allocation among portfolio securities. If the Adviser's investment strategies do not produce the expected results, your investment could be diminished or even lost.

Financial Risk: Financial risk is the possibility that shareholders will lose money when they invest in a company due to internal disruptions such as too much debt or a company's cash flow proves inadequate to meet its financial obligations. When a company uses debt financing its creditors are repaid before its shareholders if the company becomes insolvent. Financial risk also refers to the possibility of a corporation or government defaulting on its bonds, which would cause those bondholders to lose money.

Capital Risk: Capital risk is one of the most basic, fundamental risks of investing; it is the risk that you may lose 100% of your money. All investments carry some form of risk. An investor takes on capital risk each time they invest in any investment instrument.

Company Risk: There is always a certain level of company or industry specific risk that is inherent in each stock investment. This is also referred to as non-systematic risk which can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry.

Economic Risk: The economic environment is important to the health of all businesses. Cyclical companies are more sensitive to changes in the domestic or global economy than other businesses. If an investment is issued by a company located in a country that experiences wide swings from an economic standpoint the investment instrument will generally be subject to a higher level of economic risk

Inflation Risk: Inflation risk is the chance that the cash flows from an investment won't be worth as much in the future because of changes in purchasing power due to inflation. Over time, the prices of resources and end-user products generally increase and therefore, the same general goods and products today will likely be more expensive in the future. The longer an investment is held, the greater the chance that the cash flow from that investment will be worth less in the future than what they are today.

Legal/Regulatory Risk: Changes in the regulatory environment or tax laws can affect the performance of certain investments or issuers of certain investments thereby having a negative impact on the overall performance of such investments.

ETF & Mutual Fund Risk: The risk of owning an ETF or mutual fund generally reflects the risks of the underlying securities the ETF or mutual fund holds. The risk of owning an ETF or mutual fund can result in an overlap of certain holdings. Investing in an ETF or mutual fund will mean the investor will bear additional expenses based on the ETF's or mutual fund's operating expenses, including the potential duplication of management fees.

Fixed Income Securities Risk: Fixed income is generally considered to be a more conservative investment than stocks, but bonds and other fixed income investments still carry a variety of risks that investors need to be aware of. Typically, the values of fixed-income securities change inversely with prevailing interest rates. Diversification can be a good way to minimize many of the risks inherent in fixed income investing. A fundamental risk of fixed-income securities is interest rate risk, which is the risk that their value will generally decline as interest rates rise, which may cause your account value to decrease, and vice versa. Fixed-income securities are also subject to credit risk, prepayment risk, valuation risk, and liquidity risk. Credit risk is the chance that a bond issuer will fail to pay interest and principal in a timely manner.

Market Risk: The market value of a security may move up or down, sometimes rapidly and unpredictably. These fluctuations may cause a security to be worth less than the price originally paid for it, or less than it was worth at an earlier time. Market risk may affect a single issuer, industry, sector of the economy or the market as a whole. The fixed income markets can experience substantially lower valuations, reduced liquidity, price volatility, credit downgrades, and increased likelihood of default and valuation difficulties. Equity and fixed income markets are now global in nature. Therefore, international concerns can affect domestic security prices. This can happen despite little or no apparent degradation in the financial conditions or prospects of that company. Exogenous events may have adverse effects on the strategies.

Non-Diversification Risk: The strategy may invest a large percentage of its assets in securities issued by a small number of companies. As a result, performance may depend on the returns of a small number of issuers.

Growth Securities Risk: Securities of companies perceived to be “growth” companies may be more volatile than other stocks. The price of a “growth” security may be impacted if the company does not realize its anticipated potential or there is a shift in the market to favor other types of securities.

Liquidity Risk: Liquidity risk is the risk that a company or bank may be unable to meet short term financial demands. Certain types of assets may not be readily converted into cash or may have a very limited market in which they trade. This usually occurs due to the inability to convert a security or hard asset to cash without a loss of capital and/or income in the process.

Item 9: Disciplinary Information

PCM has no legal or disciplinary actions to report that are material to the evaluation of our advisory business or integrity of the management.

Item 10: Other Financial Industry Activities and Affiliations

Our firm has no other financial industry activities and affiliations to disclose.

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

As a fiduciary, it is an investment adviser’s responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. Our fiduciary duty is the underlying principle for our firm’s Code of Ethics, which includes procedures for personal securities transaction, insider trading, confidentiality of client information, restrictions on the acceptance of significant gifts, and outside business activities. Our firm requires all employees to conduct business with the highest level of ethical standards of business and comply with all state and federal security laws. Upon employment with our firm, and at least annually thereafter, all representatives of our firm must acknowledge receipt, understanding and compliance with our firm’s Code of Ethics. Our firm and representatives must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. Our firm will provide a copy of our Code of Ethics to any client or prospective client upon request.

Our firm recognizes that the personal investment transactions of our representatives demands the application of a Code of Ethics with high standards and requires that all such transactions be carried out in a way that does not endanger the interest of any client. At the same time, our firm also believes that if investment goals are similar for clients and for our representatives, it is reasonable that there is common ownership of some securities. In order to prevent conflicts of interest, our firm has established procedures for transactions effected by our representatives for their personal accounts.

Employees of our firm may buy or sell securities and other investments that are also recommended to clients after receiving pre-clearance approval for personal trades; as well as report personal security transactions at least quarterly to the Chief Compliance Officer. The Chief Compliance Officer's trades are pre-cleared, reported and reviewed by the portfolio manager. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics. This means, when an employee account is included in a block trade their personal account will be allocated alongside all client accounts so no price advantage occurs. The quarterly review of personal securities transactions by the CCO and portfolio manager ensures compliance with this practice to avoid the potential conflict of interest of front-running. Front running is when an employee trades ahead of a client in order to achieve more favorable pricing. We do not engage in principal transactions with client accounts. This is where a registered representative of the firm acts as a principal for their own account, buys from or sells any security to an advisory client.

In the rare case of a partial fill order, PCM will first remove firm and/or employee and related family accounts from the allocation. From there, we will reduce the number of shares each participating client account receives and allocate each account with their pro-rata portion of the purchase or sale. Any shares we did not receive in our order request can be placed over coming trading days to complete the allocation originally intended.

The Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

Item 12: Brokerage Practices

Brokerage Firm Selection

Our firm will seek to execute portfolio transactions with broker-dealers who, in our opinion, provide the best combination of price and execution. Our firm may only implement investment management recommendations after a client has arranged for and furnished our firm with all information and authorization regarding accounts with a qualified broker-dealer. Our firm looks at a number of factors in helping clients select a broker-dealer to execute portfolio transactions including:

- Execution at market price or better
- Trade price improvement
- Execution speed
- Timeliness and accuracy of trade confirmations
- Fees charged by the broker-dealer
- Frequency and correction of trading errors
- Record keeping services

- Financial strength
- Business reputation
- Access to various markets market venues
- Execution services provided
- Custody services provided
- Research services provided
- Quality of services

Our firm utilizes the brokerage and execution services of Schwab Advisory Services of Charles Schwab & Co., Inc. ("Schwab"), a FINRA registered broker-dealer, member of SIPC, whereby they provide our firm "institutional platform services" generally not available to retail investors. Our firm is independently owned and operated and not affiliated with Schwab. Schwab's institutional platform services that assist us in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (e.g. trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting. No member or any employee of the firm receives any compensation for using Schwab.

A client may request that our firm execute transactions through a particular broker-dealer after the client has negotiated the arrangement of their account with that broker-dealer. However, subject to our obligation to seek best execution, our firm may also decline a client's request if such Directed Brokerage Arrangement would result in additional operational difficulties such as being unable to aggregate trade orders, as well as cost the client more money in higher transaction fees or greater spreads. In seeking best execution, the determining factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of broker-dealers services.

Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to our firm. Schwab may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to the firm. In evaluating whether to recommend or request that clients trade their assets at Schwab, we may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors we consider and not solely on the nature, cost or quality of brokerage services provided by Schwab.

Soft Dollar Arrangements

The firm does not accept products or services that do not qualify for Safe Harbor outlined in Section 28e of the Securities Exchange Act of 1934, such as those services that do not aid in investment decision-making or trade execution. Soft dollar arrangements create a conflict of interest between our firm and our Clients. Our decision to use a particular broker-dealer may, in part, be based on the

broker-dealer's ability and/or willingness to provide certain products and services, not merely on the broker-dealer's ability to provide the best trade execution for the best price. Such benefits may include: stock charts, research reports, conference calls, industry conferences, portfolio characteristics, receipt of duplicate client confirmations and bundled duplicate statements, access to a trading desk that exclusively services the Institutional participants, access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts, and access to an electronic communications network for client order entry and account information. The safe harbor research products and services obtained by our firm are used to benefit and service our clients.

Client Brokerage Commissions

The firm does not receive brokerage commissions or monetary remuneration for client referrals. Schwab does not make client brokerage commissions from client transactions available to our firm.

Aggregated Purchases and Sales

As a result of our performing investment management for many clients there are instances where portfolio transactions may be executed as part of concurrent authorizations to buy or sell the same security for numerous client accounts. These situations involve accounts that have similar investment objectives. Trades will be allocated in a manner that is deemed equitable to those accounts involved. In cases where there are multiple clients that we purchase the same security for, the aggregated number of shares will be executed under our master account. This allows us to combine all purchases and allocate the shares to the respective individual accounts with an average price so no client has an unfair advantage. Partial fills handling procedures are discussed in Item 11 of this brochure.

Trade Errors

From time to time, our firm may experience a trade error caused by our firm or an executing broker. In the event that a trade error occurs, we will ensure that a client account is "made whole." Trades are adjusted as required to put the client in a position as if the error had never occurred at "no cost" to the client. Our firm will not use future brokerage to compensate a broker either directly or indirectly for absorbing the cost of correcting an error in an earlier transaction.

Item 13: Review of Accounts

Reviews: The underlying securities within individual accounts are monitored as part of an ongoing process. Account reviews are conducted at least quarterly. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, significant flow of funds, market or economic events, or client requests. All clients are encouraged to meet for an annual review. We ask our clients that do not wish to meet annually to keep us informed of any changes in their financial goals, status, or other factors that might impact the way their portfolio(s) are being managed.

Reports: In addition to the quarterly statements and confirmations of transactions that clients receive from their custodian, our firm will provide each client with a quarterly report summarizing their account as well as a written letter discussing important portfolio or market activity.

Item 14: Client Referrals and Other Compensation

Charles Schwab Advisor Services

Except for the arrangements outline in Item 12 of this brochure, we have no additional arrangements and do not pay for client referrals.

Item 15: Custody

Our firm does not have custody of client funds or securities. Various institutions act as the qualified custodians. These qualified custodians are independently owned and operated and are not affiliated with our firm. Any custodian that holds client assets does not supervise or otherwise monitor our investment management services to our clients. All clients receive account statements directly from their qualified custodians at least quarterly upon opening of an account. Clients are encouraged to raise any questions with us about the custody, safety or security of their assets and our custodial recommendations.

Clients always maintain control and disbursement authority over their account. Our authority is limited to determining the appropriate investments, allocation, and making trades on the client's behalf and billing the clients for management fees.

Item 16: Investment Discretion

Our firm receives discretionary authority to manage securities accounts on behalf of clients pursuant to an executed investment advisory agreement. In all cases, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. By granting investment discretion, our firm is authorized to execute securities transactions, determine which securities are bought and sold, and the total amount to be bought and sold. When selecting securities and determining amounts, our firm observes the investment objectives, limitations and restrictions of the clients for which it advises. Neither our firm nor the client may assign the Agreement without the consent of the other party.

Item 17: Voting Client Securities

Our firm will vote proxies on behalf of those clients who have given our firm that authority. Clients always have the right to vote proxies themselves. Any client who wishes to vote their own proxies needs to contact our office so that we can remove the authority of our firm to vote that client's proxies. For those clients that our firm has accepted the responsibility for voting client proxies we

will only cast proxy votes in a manner consistent with the best interest of our clients. The firm will retain all proxy voting books and records for the requisite period of time, including a copy of each proxy statement received. We will keep a copy of any written client request for information on how the adviser voted proxies. If the firm has a conflict of interest in voting a particular action, we will notify each client of the conflict and request that they vote their own proxy.

Clients may obtain a copy of our complete proxy voting policies and procedures by requesting it in writing. Any client who retains authority to vote proxies may call, write or email us to discuss questions they may have about proxy votes or other corporate communications.

Item 18: Financial Information

We are not required to provide financial information in this Brochure because:

- Our firm does not take custody of our client funds or securities
- We do not require prepayment of more than \$1,200 in fees per client for six or more months in advance. Our clients are billed in arrears.
- There are no, and have never been, any adverse conditions related to the Firm's finances or commitment that impairs our ability to meet contractual and fiduciary obligations to clients.
- Neither the firm nor its registered representatives have ever been the subject of a bankruptcy proceeding.