

# Wacker Wealth Partners, LLC

SEC File Number: 801 – 68752

## **Part 2A, Firm Brochure**

### **March 30, 2021**

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This brochure provides information about the qualifications and business practices of Wacker Wealth Partners, LLC. If you have any questions about the contents of this brochure, please contact us at (805) 541-1308 or [sarah.pazdan@wackerwealthpartners.com](mailto:sarah.pazdan@wackerwealthpartners.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 Wacker Wealth Partners, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). References herein to Wacker Wealth Partners, LLC as a "registered investment adviser" or any reference to being "registered" does not imply a certain level of skill or training.

## **Item 2           Material Changes**

Since the Registrant's last annual amendment to its Form ADV on March 23, 2020, there have been no material changes to this brochure

This item only discusses the material changes to this brochure.

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## **Item 4            Advisory Business**

- A. Wacker Wealth Partners, LLC (the “Registrant”) is a limited liability company formed in August 1987 in the State of California. The Registrant is owned by Robert Wacker, Bryan Krill, Matthew Wilson, Patrick O’Hara, Ryan Caldwell, Joan Wenglikowski, Alexander Pock, and Mary Rose.
- B. As discussed below, the Registrant offers investment advisory services, and, to the extent specifically requested by a client, financial planning and related consulting services. Except as otherwise noted, references to clients throughout this Brochure do not include the “affiliated funds” (defined below).

### **INVESTMENT ADVISORY SERVICES**

#### **Wealth Management Services (Investment Advisory/Financial Planning Services)**

Individual clients can determine to engage the Registrant to provide wealth management services, which consists of a combination of discretionary investment advisory services on a *fee-only* basis and financial planning services to the extent requested by a client.

The wealth management services include an introductory meeting to determine a prospective client’s needs, after which, the Registrant shall define the scope and focus of its advice. The Registrant’s advice will include the development, implementation, and management of an investment policy and plan for the client. The scope of the Registrant’s advice may also include or exclude, as appropriate, an analysis of the client’s plan regarding tax & estate issues, retirement, insurance, cash flow & debt management, and/or any special needs or objectives. During the first year of services, the Registrant provides an analysis and recommendations on all included facets of the client’s personal financial plan. Thereafter, in addition to the ongoing discretionary management of the client’s investment portfolio, the Registrant conducts updates and reviews of each client’s financial and investment plan at least annually during the term of the engagement.

#### **Institutional Investment Management Services**

Institutional clients can engage the Registrant to provide discretionary investment advisory services on a *fee-only* basis.

#### **Non-Profit 501(c)(3) Investment Management Services**

Non-Profit 501(c)(3) clients can determine to engage the Registrant to provide discretionary investment advisory services on a *fee-only* basis.

#### **Retirement Plan Consulting Services**

The Registrant also provides consulting services, where it assists sponsors of self-directed retirement plans with the selection and/or monitoring of investment alternatives (generally open-end mutual funds) from which plan participants can self-direct the investments for their individual plan retirement accounts. In addition, to the extent requested by the plan sponsor, the Registrant will also provide participant education designed to assist participants in identifying the appropriate investment strategy for their retirement plan accounts. The terms and conditions of the engagement shall generally be set forth in a Retirement Plan Consulting Agreement between the Registrant and the plan sponsor.

### **Affiliated Private Funds**

The Registrant is the sponsor of and serves as investment adviser to a family of private investment funds (together the “affiliated funds”). The complete description of the terms, conditions, risks and fees associated with the affiliated funds is set forth in each of the affiliated funds' offering documents.

The Registrant, on a non-discretionary basis, may recommend that qualified clients consider investing in one or more of the affiliated funds. Registrant's clients are under no obligation to consider or make an investment in an affiliated fund.

Private investment funds involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which are provided to each investor for review and consideration. Unlike liquid investments, private investment funds do not provide daily liquidity, which means that an investor will not be able to access their funds for significant periods of time. Each prospective investor will be required to complete a Subscription Agreement, and represent that they are qualified for investment in the fund and is aware of the various risk factors that are associated with their investment.

The affiliated funds are available only to “Accredited Investors,” as the term is defined by Rule 501 of the Securities Act of 1933, and only by a Confidential Private Placement Memorandum. Additional information on the standard is provided in the Confidential Private Placement Memorandum and Subscription Agreement for the applicable affiliated fund. Investors in the affiliated funds may not impose any restrictions on fund investments. This Brochure is not an offer to sell, or a solicitation of an offer to purchase, interest in the affiliated funds. Such an offer can only occur when the prospective investor receives the offering documents.

## **MISCELLANEOUS**

**Limitations of Financial Planning and Non-Investment Consulting/Implementation Services.** To the extent requested by a client, Registrant may provide financial planning and related consulting services regarding non-investment related matters, such as estate, tax and insurance planning. The Registrant does not serve as a law firm, accounting firm, or insurance agency, and no portion of Registrant's services should be construed as legal, accounting, or insurance implementation services. Accordingly, Registrant does not prepare estate planning documents, tax returns or sell insurance products. To the extent requested by a client, Registrant may recommend the services of other professionals for certain non-investment implementation purposes (e.g., attorneys, accountants, insurance agents.). Clients are reminded that they are under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation made by Registrant or its representatives. If the client engages any unaffiliated recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional.

**Retirement Plan Rollovers.** A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted,

(iii) roll over to an Individual Retirement Account (“IRA”), or (iv) cash out the account value (which could, depending upon the client’s age, result in adverse tax consequences). If the Registrant recommends that a client roll over their retirement plan assets into an account to be managed by the Registrant, such a recommendation creates a conflict of interest if the Registrant will earn an advisory fee on the rolled over assets. No client is under any obligation to roll over retirement plan assets to an account managed by Registrant.

**Non-Discretionary Service Limitations.** Clients that determine to engage the Registrant on a non-discretionary investment advisory basis must be willing to accept that the Registrant cannot effect any account transactions without obtaining prior verbal consent to any such transaction(s) from the client. Thus, in the event of a market correction during which the client is unavailable, the Registrant will be unable to effect any account transactions (as it would for its discretionary clients) without first obtaining the client’s verbal consent.

**Use of Mutual Funds and ETFs.** While the Registrant may recommend allocating investment assets to mutual funds that are not available to the public, the Registrant may also recommend that clients allocate investment assets to publicly available mutual funds and ETFs that the client could obtain without engaging Registrant as an investment adviser. However, if a client or prospective client determines to allocate investment assets to publicly-available mutual funds and ETFs without engaging Registrant as an investment adviser, the client or prospective client would not receive the benefit of Registrant’s initial and ongoing investment advisory services. Other mutual funds, such as those issued by Dimensional Fund Advisors (“DFA”), are generally only available through selected registered investment advisers. Registrant may allocate client investment assets to DFA mutual funds. Therefore, upon the termination of Registrant’s services to a client, restrictions regarding transferability and/or additional purchases of, or reallocation among DFA funds will apply. If a client determines to sell any securities held in their account, they will be subject to tax consequences if they are investing through taxable accounts.

**Client Obligations.** In performing its services, Registrant shall not be required to verify any information received from the client or from the client’s other professionals, and is expressly authorized to rely thereon. Clients are responsible for promptly notifying the Registrant if there is ever any change in their financial situation or investment objectives so that the Registrant can review, and if necessary, revise its previous recommendations or services.

- C. The Registrant shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client’s investment objective(s). Thereafter, the Registrant shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at any time, impose reasonable restrictions, in writing, on the Registrant’s services.
- D. The Registrant does not participate in a wrap fee program.
- E. As of December 31, 2020, the Registrant had \$1,044,291,815 in assets under management on a discretionary basis and \$6,744,006 in assets under management on a non-discretionary basis.

## Item 5 Fees and Compensation

A.

### **Wealth Management Services (Investment Advisory/Financial Planning Services)**

Individual clients can determine to engage the Registrant to provide wealth management services, which consists of a combination of discretionary investment advisory services on a fee-only basis and financial planning services. The Registrant's annual investment advisory fee for wealth management services is based upon a percentage of the market value of the assets placed under the Registrant's management as follows:

<u>Market Value of Portfolio</u>	<u>% of Assets</u>
First \$2,000,000.00	1.00%
Next \$3,000,000.00	0.75%
Next \$5,000,000.00	0.50%
Amounts over \$10,000,000.00	0.40%

The Registrant generally requires a quarterly minimum fee of \$1,250.00 for Wealth Management Services.

For wealth management services, there is also a fixed flat fee for initial planning and account set-up, which shall be no less than \$1,000.00 and varies by client based upon the scope of the planning and the client-specific factors affecting the engagement. Fees are quoted and agreed upon before any engagement begins.

### **Institutional Investment Management Services**

Institutional clients can determine to engage the Registrant to provide discretionary investment advisory services on a fee-only basis. The Registrant's annual investment advisory fee is based upon a percentage of the market value of the assets placed under the Registrant's management as follows:

<u>Market Value of Portfolio</u>	<u>% of Assets</u>
First \$2,000,000.00	0.80%
Next \$3,000,000.00	0.60%
Next \$5,000,000.00	0.50%
Amounts over \$10,000,000.00	0.40%

The Registrant generally requires a quarterly minimum fee of \$1,000.00 for Institutional Investment Management Services.

### **Non-Profit 501(c)(3) Investment Management Services**

Non-profit 501(c)(3) clients can determine to engage the Registrant to provide discretionary investment advisory services on a *fee-only* basis. The Registrant's annual investment advisory fee is based upon a percentage of the market value of the assets placed under the Registrant's management as follows:

<u>Market Value of Portfolio</u>	<u>% of Assets</u>
First \$2,000,000.00	0.60%
Next \$3,000,000.00	0.50%
Next \$5,000,000.00	0.40%
Amounts over \$10,000,000.00	0.35%

The Registrant generally requires a quarterly minimum fee of \$750.00 for Non-Profit 501(c)(3) Investment Management services only.

- B. Clients may elect to have the Registrant's advisory fees deducted from their custodial account. Both Registrant's Investment Advisory Agreement and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of the Registrant's investment advisory fee and to directly remit that management fee to the Registrant in compliance with regulatory procedures. In the limited event that the Registrant bills the client directly, payment is due upon receipt of the Registrant's invoice. The Registrant shall deduct fees and/or bill clients quarterly in advance, based upon the market value of the assets on the last business day of the previous quarter. For withdrawals or contributions exceeding \$10,000 on any day during a quarter, the Registrant will adjust the client's fee for the following quarter taking into account the amount of the withdrawal or contribution and the number of days in the quarter the assets were managed.
- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, the Registrant shall generally recommend that Charles Schwab and Co., Inc. ("Schwab") serve as the broker-dealer/custodian for client assets. Broker-dealers such as Schwab charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity transactions, and mark-ups and mark-downs are charged for fixed income transactions). In addition, client accounts may invest in open-end mutual funds (including money market funds) and ETFs that have various internal fees and expenses (i.e. management fees), which are paid by these funds but ultimately borne by clients as a fund shareholder. These internal fees and expenses are in addition to the fees charged by the Registrant. Where determined to be appropriate, client assets may be invested in a share class of a mutual fund with internal fees and expenses that are higher than one or more other available share classes of the fund.

Individual fixed-income and equity transactions may be effected through broker-dealers with whom Registrant, a client or an affiliated fund have entered into arrangements for prime brokerage clearing services. When trades are executed through a prime broker, a client or affiliated fund will incur both the transaction fee charged by the executing broker-dealer and a "tradeaway" fee charged by the account's custodian.

**Accrued But Unpaid Interest.** In calculating the value of a client's portfolio for reporting and fee calculation purposes, accrued but unpaid interest on all securities is included. Such interest would be paid to the holder of the security if it was to be sold on that reporting day, and thus reflects more accurately the present value of the holding. This practice results in a larger asset value than the value shown on the client's brokerage statements, and, accordingly, a higher advisory fee.

**Private Fund Valuations.** For both billing and reporting purposes, the values for all private investment funds owned by the client will reflect the most recent valuation provided by the fund sponsor, or if no recent valuations have been provided, the initial purchase price. The current values could be significantly more or less than amount referenced on a supplemental account report or used for billing purposes.

- D. Registrant's annual investment advisory fee shall be prorated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter. The Registrant does not generally require an annual minimum asset level for

investment advisory services although it reserves the right to accept or reject any client.

The Investment Advisory Agreement between the Registrant and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the Investment Advisory Agreement. Upon termination, the Registrant shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.

- E. Neither the Registrant, nor its representatives accept compensation from the sale of securities or other investment products. However, non-clients investing in the affiliated funds may be subject to additional advisory fees, but these additional fees are not commissions.

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

Neither the Registrant nor any supervised person of the Registrant accepts performance-based fees.

## **Item 7            Types of Clients**

The Registrant's clients generally include individuals, pension and profit sharing plans, business entities, trusts, estates, charitable organizations and the affiliated funds. The Registrant does not generally require an annual minimum asset level for investment advisory services, except that investments in the affiliated funds are subject to minimum investment amounts. The Registrant generally requires an annual minimum fee of \$5,000.00 for Wealth Management Services, an annual minimum fee of \$4,000.00 for Institutional Investment Management Services, and an annual minimum fee of \$3,000.00 for Non-Profit 501(c)(3) Investment Management Services only.

The Registrant's fees and minimum fees are negotiable in its discretion, depending upon objective and subjective factors. These factors include, but are not limited to, the amount of assets to be managed; portfolio composition; the scope and complexity of the engagement; the anticipated number of meetings and servicing needs; related accounts; future earning capacity; anticipated future additional assets; the professionals rendering the services; prior relationships with the Registrant or its representatives, and negotiations with the client. Because of these factors, similarly situated clients could pay different fees, the services to be provided by the Registrant to any particular client could be available from other advisers at lower fees, and certain clients may have fees different from those specifically set forth above. The Registrant's Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding its fee practices.

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

- A. The Registrant may utilize the following methods of security analysis:
- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)



The Registrant may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Trading (securities sold within thirty (30) days)

**Investment Risk.** Investing in securities involves risk of loss that clients should be prepared to bear. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by the Registrant) will be profitable or equal any specific performance level.

- B. The Registrant's methods of analysis and investment strategies do not present any significant or unusual risks. However, every method of analysis has its own inherent risks. To perform an accurate market analysis, the Registrant must have access to current/new market information. The Registrant has no control over the dissemination rate of market information; therefore, unbeknownst to the Registrant, certain analyses may be compiled with outdated market information, severely limiting the value of the Registrant's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

The Registrant's primary investment strategies - Long Term Purchases, Short Term Purchases, and Trading - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy. Trading is an investment strategy that requires the purchase and sale of securities within a very short investment period and typically incurs higher transaction costs when compared to a short-term investment strategy and substantially higher transaction costs than a longer-term investment strategy.

- C. Currently, the Registrant primarily allocates client investment assets among various individual equity (stocks), debt (bonds) and fixed income securities, mutual funds, and/or exchange traded funds, on a discretionary basis in accordance with the client's designated investment objective(s).

The Registrant may recommend investment in the affiliated funds to clients based on factors including the client's accreditation status, the level of interest clients express during meetings with the Registrant, and whether the affiliated funds would be suitable for the client. The Registrant considers these types of investments to carry a higher degree of risk and will only recommend them to clients where the Registrant believes they are suitable to the client's financial situation and risk tolerance. The Registrant is the General Partner of the affiliated funds and its personnel own interests in the affiliated funds. A conflict of interest exists because the Registrant stands to benefit from investment in the affiliated funds. The Registrant's policies to address this conflict are described in Item 11.B.

Prospective investors in the affiliated funds are provided with the applicable fund's offering documents. Investors in an affiliated fund should refer to the offering documents for disclosure on the investment strategy and the risk of investing in that affiliated fund.

## **Item 9            Disciplinary Information**

The Registrant has not been the subject of any disciplinary actions.

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

- A. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. The Registrant provides investment advisory services to the affiliated funds and is also the General Partner of each of the affiliated funds. The affiliated funds are not publicly offered or traded and are available to accredited investors only, as described in more detail in Item 4. As described above, we may recommend the affiliated funds to certain clients for whom we believe they would be suitable.

The recommendation by Registrant that a client invest in one or more of the affiliated funds presents a conflict of interest. No client is under any obligation to invest in one or more of the affiliated funds. The Registrant's Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.

- D. The Registrant does not receive, directly or indirectly, compensation from investment advisers that it recommends or selects for its clients.

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

- A. The Registrant maintains an investment policy relative to personal securities transactions. This investment policy is part of Registrant's overall Code of Ethics, which serves to establish a standard of business conduct for all of Registrant's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, the Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person associated with the Registrant.

- B. Neither the Registrant nor any related person of Registrant recommends, buys, or sells for client accounts, securities in which the Registrant or any related person of Registrant has a material financial interest except for the affiliated funds.

The Registrant is the General Partner of the affiliated funds and its personnel own interest in the affiliated funds. The Registrant may recommend these funds to clients for which the Registrant believes the investment is suitable. The Registrant only recommends such securities to clients who meet the requisite income and/or net worth requirements and where the Registrant believes that the investment is appropriate for the client. Clients of the Registrant are not subject to an advisory fee for assets invested in the affiliated funds, although they do share in the pro rata expenses of an affiliated fund that they have invested.

A conflict exists when the Registrant and/or its personnel stand to benefit from additional investment in the affiliate funds. In order to address this conflict, Clients will receive the Confidential Offering Memorandum and full disclosure of known risks before investing in any affiliated fund. In addition, the Registrant will disclose any proprietary or related interest in an affiliated fund to the client.

- C. The Registrant and/or representatives of the Registrant may buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a conflict of interest. Practices such as “scalping” (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, “front-running” (i.e., personal trades executed prior to those of the Registrant’s clients) and other potentially abusive practices.

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant’s “Access Persons”. The Registrant’s securities transaction policy requires that an Access Person of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person’s current securities holdings at least once each twelve (12) month period thereafter on a date the Registrant selects.

- D. The Registrant and/or representatives of the Registrant may buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a conflict of interest. As indicated above in Item 11.C, the Registrant has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Registrant’s Access Persons.

## **Item 12 Brokerage Practices**

- A. In the event that the client requests that the Registrant recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct the Registrant to use a specific broker-dealer/custodian), Registrant generally recommends that investment management accounts be maintained at Schwab. Prior to engaging Registrant to provide investment management services, the client will be required to enter into a formal Investment Advisory Agreement with Registrant setting forth the terms and conditions under which Registrant shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that the Registrant considers in recommending Schwab (or any other broker-dealer/custodian to clients) include historical relationship with the Registrant, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Registrant's clients shall comply with the Registrant's duty to seek best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Registrant determines, in good faith, that the commission/transaction fee is reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Registrant's investment management fee. The Registrant's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

1. Research and Additional Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Registrant receives from Schwab (and potentially other broker-dealers, custodians, investment platforms, unaffiliated investment managers, vendors, or fund sponsors) free or discounted support services and products. Certain of these products and services assist the Registrant to better monitor and service client accounts maintained at these institutions. The support services that Registrant obtains can include investment-related research; pricing information and market data; compliance or practice management-related publications; discounted or free attendance at conferences, educational or social events; or other products used by Registrant to further its investment management business operations.

Certain of the support services or products received may assist the Registrant in managing and administering client accounts. Others do not directly provide this assistance, but rather assist the Registrant to manage and further develop its business enterprise.

In 2019 and 2020, the Registrant received \$1,275 and \$450 respectively, in specific credits, discounts or additional assistance from Schwab. It expects to receive comparable amounts in the future.

Registrant's clients do not pay more for investment transactions effected or assets maintained at a Schwab or other broker-dealers and custodians because of these arrangements. There is no corresponding commitment made by the Registrant to any broker-dealer or custodian or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products because of the above arrangements.

The Registrant's Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding the above arrangement and the conflict of interests this arrangement creates.

2. The Registrant does not receive referrals from broker-dealers.
3. The Registrant does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Registrant will not seek better execution services or prices from other broker-dealers or be able to “batch” the client's transactions for execution through other broker-dealers with orders for other accounts managed by Registrant. As a result, client 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.

In the event that the client directs Registrant to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Registrant. Higher transaction costs adversely impact account performance. Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

The Registrant’s Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding the above arrangement.

- B. To the extent that the Registrant provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless the Registrant decides to purchase or sell the same securities for several clients at approximately the same time. The Registrant may (but is not obligated to) combine or “bunch” such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Registrant’s clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. The Registrant shall not receive any additional compensation or remuneration as a result of such aggregation.

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

- A. For those clients to whom Registrant provides investment supervisory services, account reviews are conducted on an ongoing basis by the Registrant's Principals and/or representatives. All investment supervisory clients are advised that it remains their responsibility to advise the Registrant of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with the Registrant on an annual basis.
- B. The Registrant may conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.

- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

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

- A. As referenced in Item 12.A.1 above, the Registrant receives economic benefits from Schwab.
- B. Neither the Registrant nor any related person of the Registrant directly or indirectly compensates any person for client referrals although employees of the Registrant are eligible for bonuses that are based on the referral of new clients and material addition of new assets to existing client's relationships.

#### **Item 15      Custody**

The Registrant does not take physical custody over client's cash or securities. However, it is deemed to have custody in certain situations under guidance issued by the SEC.

The Registrant is deemed to have custody because it has the ability to have its advisory fee for clients debited by the custodian. Clients are provided, at least quarterly, with written trade confirmations and account statements directly from the broker-dealer/custodian or program sponsor for the client's accounts. The Registrant may also provide a written periodic report summarizing account activity and performance. To the extent that the Registrant provides clients with periodic account statements or reports, the client is urged to compare these statements or reports against those provided by the account custodian. The account custodian does not verify the accuracy of the Registrant's advisory fee calculation.

The Registrant is also deemed to have custody because it has standing letters of authorization from clients that permit it to instruct the account's custodian to transfer funds to other third party accounts. Consistent with guidance issued by the staff of the SEC, these accounts are not subject to a surprise examination.

The Registrant is deemed to have custody of the assets of the affiliated funds. A qualified custodian holds the affiliated funds' assets to the extent required. In addition, an independent accountant audits the affiliated funds each year, and the Registrant sends copies of the audited financial statement to all investors in the affiliated funds.

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

The client can determine to engage the Registrant to provide investment advisory services on a discretionary basis. Prior to the Registrant assuming discretionary authority over a client's account, the client shall be required to execute an Investment Advisory Agreement, naming the Registrant as the client's attorney and agent in fact, granting the Registrant full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage the Registrant on a discretionary basis may, at any time, impose restrictions, in writing, on the Registrant's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe the Registrant's use of margin, etc.).

## **Item 17      Voting Client Securities**

Unless the client directs otherwise in writing, the Registrant is responsible for voting client proxies. However, the client shall maintain exclusive responsibility for all legal proceedings or other type events pertaining to the account assets, including, but not limited to, class action lawsuits. The Registrant votes proxies in accordance with its Proxy Voting Policy. The Registrant monitors corporate actions of individual issuers and investment companies. Although the factors which Registrant will consider when determining how it will vote differ on a case by case basis, they may, but are not limited to, a review of recommendations from issuer management, shareholder proposals, cost effects of such proposals, effect on employees and executive and director compensation. With respect to individual issuers, the Registrant may be solicited to vote on matters including corporate governance, adoption or amendments to compensation plans (including stock options), and matters involving social issues and corporate responsibility. With respect to investment companies (e.g., mutual funds), the Registrant may be solicited to vote on matters including the approval of advisory contracts, distribution plans, and mergers. The Registrant shall maintain records pertaining to proxy voting as required pursuant to Rule 204-2 (c)(2) under the Advisers Act. A copy of the Registrant's Proxy Voting Policy or information pertaining to how the Registrant voted on any specific proxy issue is available upon written request. Requests can be made by contacting the Registrant's Chief Compliance Officer.

## **Item 18      Financial Information**

- A. The Registrant does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. The Registrant is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. The Registrant has not been the subject of a bankruptcy petition

**ANY QUESTIONS: The Registrant's Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**