



# DESCHUTES

INVESTMENT CONSULTING, LLC

Deschutes Investment Consulting, LLC  
Form ADV Part 2A—Disclosure Brochure for Individual Clients  
March 8, 2021

Deschutes Investment Consulting, LLC  
200 SW Market Street, Suite 550  
Portland, OR 97201  
(503) 224-3700  
[www.deschutesinvestment.com](http://www.deschutesinvestment.com)

This brochure provides information about the qualifications and business practices of Deschutes Investment Consulting, LLC. If you have any questions about the contents of this brochure, please contact MacGregor Hall, our Chief Compliance Officer, at (503) 548-2101. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority. Registration as an investment advisor does not imply any certain level of skill or training.

You can find more information about us at the SEC’s website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2—Material Changes**

This item identifies and discusses only those material changes that have occurred since the last annual update of our firm brochure on March 24, 2020. Since that date, in Item 5 we added disclosures regarding fees our financial planning and insurance consulting services.

We will ensure that all current clients receive a Summary of Material Changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. A Summary of Material Changes is also included with our Brochure on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Deschutes Investment Consulting, LLC is #155312. We may further provide other ongoing disclosure information about material changes as necessary and will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting MacGregor Hall, our Chief Compliance Officer at (503) 548-2101.

## Item 3—Table of Contents

Item 1—Cover Page .....	1
Item 2—Material Changes .....	2
Item 3—Table of Contents.....	3
Item 4—Advisory Business.....	4
Item 5—Fees and Compensation.....	7
Item 6—Performance-Based Fees and Side-By-Side Management.....	9
Item 7—Types of Clients .....	10
Item 8—Methods of Analysis, Investment Strategies and Risk of Loss .....	11
Item 9—Disciplinary Information.....	14
Item 10—Other Financial Industry Activities and Affiliations.....	15
Item 11—Code of Ethics, Participation or Interest in Client Transactions and    Personal Trading .....	16
Item 12—Brokerage Practices .....	17
Item 13—Review of Accounts.....	20
Item 14—Client Referrals and Other Compensation .....	21
Item 15—Custody .....	22
Item 16—Investment Discretion.....	23
Item 17—Voting Client Securities .....	24
Item 18—Financial Information .....	25
Privacy Notice .....	26

## Item 4—Advisory Business

### **The Company:**

Deschutes Investment Consulting, LLC (“we”, “us”, or “DIC”) has offered professional investment advisory and management services since we were formed in 2011. We have been registered with the SEC since 2011. We are 100% owned by MacGregor Hall, our President.

### **Investment Advisory Services**

We provide our separate account clients with investment management and advisory services on both a discretionary and non-discretionary basis. These services consist of:

### **Wealth Management Services**

We provide a full-range of wealth management services to our separate account clients and participants in our separate account client retirement plans. In addition to investment management and quarterly performance monitoring, we may provide our separate client accounts with advice, assistance and education on topics including but not limited to:

- insurance
- estate planning
- retirement planning
- college planning
- wealth transfers between generations and to charitable organizations.

### **Tailored Advisory Services**

All of our separate account clients may impose restrictions on investing in certain securities, industries or sectors. Our separate client accounts must advise us of any such restrictions in writing.

Our relationships with our corporate and individual separate account clients are in-depth and personalized. We tailor our advisory services to meet our separate account clients’ particular needs. For corporate retirement plan separate account clients, we work to develop a cost-effective and efficient retirement program that is intended to serve in the best interest of our separate account client plan participants.

For our individual separate account clients, we work individually and with other advisers to build and protect our separate account clients’ wealth over the long term. We ask you to complete an investor questionnaire to assist us in developing investment objectives that reflect your unique goals, needs, risk tolerance and time horizon. You may have multiple accounts with us, and each may have different investment objectives. We offer to review your questionnaire with you at least annually to be sure the objectives continue to meet your particular needs and goals.

In this process, we also assist you in developing appropriate asset allocation objectives. However, market volatility can sometimes change asset values. When this happens, the values

of your assets may become somewhat inconsistent with your desired allocation objective. If we think it is appropriate, we will rebalance your portfolio to align with your allocation objectives. Rebalancing your portfolio can lead to additional trading costs.

### **Institutional Intelligent Portfolio™ Services**

We also offer to our separate account clients portfolio management services through Institutional Intelligent Portfolios™, an automated, online investment management platform available for use by independent registered investment advisors, and which is sponsored by Schwab Wealth Investment Advisory, Inc. (the “Program” and “SWIA,” respectively). Through the Program, we offer separate account clients a range of investment strategies we have constructed and manage, each consisting of a portfolio of exchange traded funds (“ETFs”) and a cash allocation. Separate account clients may instruct us to exclude up to three ETFs from their portfolio. Separate account client portfolios are held in a brokerage account opened by the separate account client at SWIA’s affiliate, Charles Schwab & Co., Inc. (“CS&Co”). We are independent of and not owned by, affiliated with, sponsored or supervised by SWIA, CS&Co or their affiliates (together, “Schwab”). The Program is described in the Institutional Intelligent Portfolios™ Disclosure Brochure (the “Program Disclosure Brochure”), which is separately delivered to our separate account clients by SWIA during the online enrollment process.

We, and not Schwab, are our separate account client’s investment advisor and primary point of contact with respect to the Program. We are solely responsible for determining the appropriateness of the Program for the separate account client, choosing a suitable investment strategy and portfolio for the separate account client’s investment needs and goals, and managing that portfolio on an ongoing basis. SWIA’s role is limited to delivering the Program Disclosure Brochure to separate account clients and administering the Program so that it operates as described in the Program Disclosure Brochure.

We have contracted with SWIA to provide us with the technology platform and related trading and account management services needed to utilize the Program. This platform enables us to make the Program available to our separate account clients online and includes a system that automates certain key parts of our investment process (the “System”). The System includes an online questionnaire that helps us determine client investment objectives and risk tolerance so we can select an appropriate investment strategy and portfolio. Clients should note that we will recommend a portfolio via the System in response to the client’s answers to the online questionnaire. Clients may then indicate an interest in a portfolio that is one level less or more conservative or aggressive than the recommended portfolio. However, we make the final decision and select a portfolio based on all the information we have been provided by the client. The System also includes an automated investment engine that we use to manage the client’s portfolio on an ongoing basis through automatic rebalancing and tax-loss harvesting, if applicable.

### **Assignment of Investment Management Agreements**

Agreements may not be assigned without client consent.

**Non-Managed Investments**

In some situations, we may allow clients to transfer securities of their choosing into accounts that we oversee. When clients do so and instruct us not to sell these investments, we do not provide any ongoing advice or oversight of these investments. We allow clients to hold these Non-Managed Investments purely as a convenience. These Non-Managed Investments are identified in writing to the client and the client is advised they, not Deschutes Investment Consulting, LLC are responsible for oversight and selling the investments. We do not charge an advisory fee on Non-Managed Assets. Your account Custodian might charge fees on these assets.

**Termination of Agreement**

Our agreement may be terminated by either party upon ninety (90) days prior written notice. DIC bills for fees in advance of each quarter. In the event of a termination that takes effect at any time other than the last day of the quarter, the fee charged by Deschutes for such quarter will be prorated from the first day of the quarter to the effective date of the termination.

**Assets Under Management**

As of December 31, 2020, we manage approximately \$1,266,092,003. Of this amount, approximately \$254,390,003 is on a discretionary basis and \$1,011,702,000 on a non-discretionary basis.

## Item 5—Fees and Compensation

### Amount of Our Fees

For our separate account clients, we typically calculate investment advisory fees as a percentage of the assets we manage for the client. Fees are generally negotiable if the value of all your related accounts with us is more than \$10 million.

We reserve the right to negotiate your fees in other situations. Some clients pay more or less than others depending on certain factors, including the type and size of the account, the range of additional services provided to the client, and the total amount of assets managed for a group of related clients. Your fee is specified in your agreement with us.

Our standard fee schedule is stated below (fees are on an annual basis):

1.00% (100 basis points) on the first \$1 million of assets  
0.75% (75 basis points) on assets between \$1 and \$5 million  
0.50% (50 basis points) on assets between \$5 and \$10 million  
Negotiable on assets over \$10 million

*Minimum Fee.* We may charge you a minimum fee. If we do charge a minimum fee, the minimum fee is \$3,000 per year.

### Payment of Our Fees

For our separate account clients, we deduct investment management fees directly from your account at the beginning of each quarter, unless we both agree otherwise. If your agreement begins during a quarter, we may prorate the fee you pay for the initial partial quarter, based on the number of days from the beginning of your agreement until the end of the initial quarter. We will mail you a copy of your fee invoice upon your request.

On your request, we will deduct our entire fee from one or more related accounts rather than proportionally from all your related accounts. If you do not have enough cash in your account to pay our fee, we may sell some of your account assets to pay the fee.

Our client agreement may be terminated on 90 days' written notice by either you or us. If you pay fees in advance and if your agreement with us terminates during a quarter, we will refund a pro rata portion of the fee you paid for that quarter, based on the number of days between the end of the 30-day notice period and the end of the quarter.

Other than at the beginning and termination of a client relationship, we do not make adjustments to your quarterly fee due to assets you add or withdraw during a quarter.

Separate account clients that are provided services under the Institutional Intelligent Portfolios™ do not pay fees to SWIA or brokerage commissions or other fees to Schwab as part

of the Program, but we charge clients a fee for our services as described above. Schwab does receive other revenues in connection with the Program, as described in the SWIA Program Disclosure Brochure. Brokerage arrangements are further described below in *Item 12 Brokerage Practices*.

### **Other Fees**

If you have mutual funds or ETFs in your portfolio, you will incur fees in addition to our fees. For example, you may incur a commission or transaction fee when the mutual fund or ETF is purchased, and you will incur an annual management fee payable to the manager of the fund, neither of which is shared with us. If a fund also imposes sales charges, you may pay an initial or deferred charge. These fees and expenses are described in each fund's prospectus. When considering an investment in a mutual fund or ETF, we use a no-load, open-end fund when appropriate. We evaluate the relative annual costs as a part of our decision process.

You could invest in a mutual fund or ETF directly, without our services. In that case, you would not receive the services we provide, which are designed in part to help you determine which, if any, mutual funds and ETFs are best suited to your financial condition and objectives.

You should review the fees charged by the mutual fund and/or ETFs and our fees to fully understand the total amount of fees you will pay and to evaluate the advisory services we provide.

All clients (whether or not they have mutual funds or ETFs in their portfolio) will also incur brokerage and other transaction costs, as discussed below in Item 12.

### **Financial Planning Services**

We may offer financial planning or insurance consulting services on an hourly and/or fixed fee basis. The exact price is determined by the complexity of the planning and project scope. On an hourly basis, our fees will be no more than \$375 per hour. For fixed fee projects, the cost may range from \$1,500 to \$10,000, depending on the nature and complexity of each client's circumstances. In certain situations, clients may be placed on a retainer system with a fee payable on an ongoing basis-- typically \$750 per quarter. Financial planning and consulting fees are payable in advance or upon completion of the plan/project.



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

DIC and its employees do not accept "performance-based fees" (fees based on a share of capital gains on or capital appreciation of your assets).

## Item 7—Types of Clients

We generally provide advice to the following types of clients:

- Corporate pension and profit sharing plans
- Individuals, including their trusts, estates, individual retirement accounts (IRAs), and self-directed 401(k) accounts.
- Endowments and other charitable organizations
- Corporations and other businesses
- Funds

Separate account clients eligible to enroll in the Institutional Intelligent Portfolios Program include individuals, IRAs and revocable living trusts. Legal entities such as corporations, limited liability company's partnerships) are not eligible to enroll in the Program. Governmental entities, and any client accounts which are subject to the Employee Retirement Income Security Act of 1974 (ERISA), are also not eligible for the Program. The separate SWIA Program Disclosure Brochure describes related minimum required account balances for maintenance of the account, automatic rebalancing, and tax-loss harvesting.

### **Minimum Account Size**

For separate account clients not utilizing the Institutional Intelligent Portfolios Program, we generally require a minimum of \$250,000 to open an individually managed account (or group of accounts). We reserve the right to waive these minimum requirements at our discretion.

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

### General

We believe that asset class diversification is the key determinant for long term capital preservation and growth. We will work with you to develop and refine your investment objectives to assist us in making investing decisions for your portfolio.

We invest our clients' assets primarily in low-cost, institutional class, no-load, open-ended mutual funds; ETFs, and Separately Managed Accounts. Our core expertise is in combining multiple fund managers in order to build a diversified portfolio matching your risk parameters. We favor ETFs, open-ended mutual funds, and separately managed accounts for several reasons:

- Legally required diversification within a fund (per the '40 Act), reducing risk of loss that comes from concentration
- Lower fees than many other types of structures
- Daily liquidity
- Many institutional, low-cost investments are available on the platform we use for most of our accounts (Charles Schwab & Co., Inc. (Schwab))
- Access to many types of strategies beyond traditional stocks and bonds.

### Manager and Fund Selection Process

We utilize a four step Manager and Fund Selection Process with final manager selection by our Investment Committee. We may also use research obtained from third-party resources in conjunction with our own internal criteria. The selection process begins with an initial screen where we generally apply the following preferred criteria:

- Manager/fund performance should be in the top 50% of peer group over a complete market cycle
- The manager/fund expense ratio should be less than the category average
- The manager/fund management tenure should be commensurate with fund performance

The results from the initial screen are generally subject to the following preferred criteria:

- The manager/fund must be open to new investors
- There must be no front or back-end loads, or redemption fees
- The manager/fund must be available at our preferred custodian

The results from this second level screen are generally further subject to the following preferred criteria:

- The historical performance must have a high correlation to the appropriate benchmark index

- The asset allocation of the fund must have a high correlation to the appropriate benchmark index
- The fund/manager should exhibit the following characteristics over a complete market cycle:
  - Positive alpha
  - Below average portfolio turnover
  - Below average beta
  - Below average standard deviation
  - Above average Sharpe ratio

The top 10 funds are put through a final screen where the following features of each fund are further reviewed and a final selection is made by the investment committee:

- Asset allocation correlation with benchmark
- Concentration of portfolio
- Style drift
- Fund ownership
- Management stability

As with any strategy, DIC looks at the client's circumstances, and makes appropriate recommendations. In the event our screening provides too few funds for a meaningful evaluation, we may reduce the number of criteria.

### **Private Investment Funds**

We may provide investment advice on private investment fund to certain qualified clients. Our role relative to the private investment fund shall be limited to its initial and ongoing due diligence and investment monitoring services. If a client becomes a private fund investor, the amount of assets invested in the fund(s) shall be included as part of "assets under management" for purposes of calculating our investment advisory fee. DIC clients are under no obligation to consider or make an investment in a private investment fund.

### **Risks Associated with Our Primary Client Investments**

For all of the above investment strategies, including mutual funds, clients and prospective clients should note carefully that investing in securities involves risk of loss that clients should be prepared to bear. For example, most equity mutual funds have very high correlation to the broad stock market and should be expected to lose as much or more than the stock market in any given period. In 2008, the S&P 500, a broad measure of the US stock market, fell 37%, and many mutual funds lost even more. Any strategy involving frequent trading can negatively affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

Private investment funds generally involve additional 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 will be

provided to each client for review and consideration. Unlike other liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

**Institutional Intelligent Portfolios™**

The separately provided SWIA Program Disclosure Brochure also describes the various risks associated with the Institutional Intelligent Portfolios™ Program, including the risks of investing in ETFs and the underlying securities in which ETFs invest along with market/systemic risks, asset allocation/strategy/diversification risks, investment strategy risks, trading/liquidity risks, and large investment risks.

## **Item 9—Disciplinary Information**

Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management.

DIC has no material legal or disciplinary events to report.

## Item 10—Other Financial Industry Activities and Affiliations

We are obligated to disclose if we, any of “supervised persons” (meaning our employees and independent contractors), or any of our affiliates are involved in other financial industry activities, such as those of a broker-dealer, commodity pool operator, or a futures commission merchant. We are also obligated to disclose if we receive compensation from other advisors for recommending or selecting those advisors for you.

DIC is not registered as a broker-dealer, futures commission merchant, commodity pool operator or commodity trading advisor.

Registered Investment Advisor Representatives may be agents for various insurance companies. As such, these individuals are able to receive separate, yet customary commission compensation resulting from implementing product transactions on behalf of advisory clients. Client, however, are not under any obligation to engage these individuals when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client.

The receipt of sales-based compensation by our Investment Advisor Representatives when they are acting in their individual capacity as an insurance agent creates a financial incentive for them to recommend investment products that generate sales commissions paid to them. This financial incentive can create a potential conflict of interest where the interests of the Investment Advisor Representative are not aligned with yours.

MacGregor Hall, CCO and owner of DIC serves on the Schwab Retirement Business Services Advisory Board (the “Board”). DIC may recommend that its employee benefit plan sponsor clients establish accounts with Charles Schwab & Co., Inc. and/or Charles Schwab Bank (collectively “Schwab”) to maintain custody of the employee benefit plan sponsor clients’ employee benefit plans’ assets and effect trades for the accounts established at Schwab for such plans. Further, Charles Schwab Bank may also serve as directed trustee for an employee benefit plan’s assets. The Board consists of approximately 21 representatives of independent investment advisory or independent recordkeeping firms who have been invited by Schwab management to participate in meetings and discussions of Schwab Retirement Business Services’ services for independent investment advisory and/or recordkeeping firms and their employee benefit plan sponsor clients. Board members serve for three-year terms. Mr. Hall’s term ends January 2020. Board members enter nondisclosure agreements with Schwab under which they agree not to disclose confidential information shared with them. This information generally does not include material nonpublic information about the Charles Schwab Corporation, whose common stock is listed for trading on the New York Stock Exchange and the NASDAQ stock market (symbol SCHW). The Board meets in person approximately twice per year and has periodic conference calls scheduled as needed. Board members are not compensated by Schwab for their service, but Schwab does pay for or reimburse Board members’ travel, lodging, meals and other incidental expenses incurred in attending Board meetings.

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

The DIC Code of Ethics is based on the principle that supervised persons, access persons, and administrative staff members owe a fiduciary duty to our clients for which DIC serves as an advisor. This Code is to protect the interests of both clients and advisors by demanding that advisory personnel perform their duties with complete propriety and do not take advantage of their position. Accordingly, DIC employees must avoid activities, interests, and relationships that might interfere or appear to interfere with making decisions in the best interest of our advisory clients. Failure to abide by this Code can result in disciplinary action, including termination of employment. A complete copy of our Code of Ethics is available to our clients or prospective clients upon request.

The Firm may solicit separate account clients to invest in a fund or other investment vehicles sponsored or managed by the firm (each, a “Firm-related fund”). Because of the relationships between the firm and any Firm-related fund, the firm could be considered to have recommended an investment in a Firm-related fund as suitable for a separate account client if such separate account client should invest in the Firm-related fund. The firm will inform each separate account client of its relationship with a Firm-related fund prior to the separate account client’s investment, but does not intend to advise any separate account client as to the appropriateness of the investment and will not receive any compensation for doing so or for selling interests in a Firm-related fund (except to the extent that the firm indirectly receives management fees from all investors of a Firm-related fund).

Employees of DIC may occasionally purchase or sell for their own personal accounts securities held or traded in DIC client accounts. Trades in the personal accounts may happen at times close to the times trades happen in the client accounts. To avoid any potential front-running of client trades, a record of all personal trades by Access Persons is collected quarterly and reviewed by DIC’s Chief Compliance Officer. If evidence of front-running is found, the employee may be forced to disgorge any profits. As a practical matter, most client trades involve mutual funds (for which front-running is not a concern), and Access Persons are in general not active traders in individual securities.



## Item 12—Brokerage Practices

### **The Custodian and Brokers We Use**

DIC does not maintain custody of your assets that we manage although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account. Your account must be maintained in an account at a “qualified custodian”, generally a broker-dealer or a bank. Our management discretion for individual clients generally includes the selection of the securities to be bought or sold, the amount of securities to be bought or sold, the custodian and broker to be used, and the commission to be paid. We consider many factors, including execution capabilities, commission rate, reputation and access to the markets for the securities being traded, financial responsibility, responsiveness to us, any research-related products and services provided to us.

As a practical matter, nearly all individual DIC accounts are maintained in an individual account at Schwab and client trades are executed at Schwab. When our client accounts are maintained at another broker, we will execute trades through the individual client’s broker.

Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. In addition to commissions Schwab charges you a flat dollar amount as a “prime broker” or “trade away” fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have Schwab execute most trades for our client accounts maintained at Schwab. We have a standard advisor commission and fee schedule with Schwab and other broker/ custodians, and thus cannot typically negotiate commissions on a trade-by-trade basis.

### **Products and Services Available to Us from Schwab**

Schwab Advisor Services is Schwab’s business serving independent investment advisory firms like us. They provide us and our clients with access to its institutional brokerage—trading, custody, reporting and related services—many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients’ accounts while others help us manage and grow our business. Schwab’s support services are generally available on an unsolicited basis (we don’t have to request them) and at no charge to us. Here is a more detailed description of Schwab’s support services:

**Services that Benefit You:** Schwab’s institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment

by our clients. Schwab's services described in this paragraph generally benefit you and your account.

**Services that May Not Directly Benefit You:** Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or some substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that: provide access to client account data (such as duplicate trade confirmations and account statements); facilitate trade execution and allocate aggregated trade orders for multiple client accounts; provide pricing and other market data; facilitate payment of our fees from our clients' accounts; and assist with back-office functions, recordkeeping and client reporting.

**Services that Generally Benefit Only Us:** Schwab also offers services intended to help us manage and further develop our business. These services include:

- educational conferences and events
- technology, 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 may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits such as occasional business entertainment of our personnel.

### **Trade Execution**

DIC seeks best execution for client trades, but will not obligate itself to obtain the lowest commission or best net price on any particular transaction. DIC will not execute an order on any account that is preferential or materially adverse to any other DIC client account.

### **Trade Aggregation**

DIC is authorized in its discretion to aggregate purchases and sales made for one client account with purchases and sales in the same or similar securities for other client accounts. When transactions are so aggregated, the actual prices applicable to the aggregated transaction will be averaged, and the account will be deemed to have purchased or sold its proportionate share of the securities involved at the average price so obtained. Stock exchange regulations may, in certain instances, prevent the executing broker-dealer from delivering to the account a confirmation slip with respect to its participation in the aggregated transaction, and in such event, DIC will advise the client in writing of any purchase or disposition of securities for the account with respect to any such aggregated transaction. DIC aggregates orders whenever a

particular trade is appropriate, in DIC's best judgment, for more than one client account at the same time. Occasionally, trades that occur on the same day in two different client accounts may not be aggregated, usually for timing reasons. The effect of this failure to aggregate may be higher commissions for both client accounts, and one account may receive a more favorable price than the other account.

**Institutional Intelligent Portfolios™**

Clients utilizing the Intelligent Portfolios Program are required to use Schwab as custodian/broker to enroll in the Program. If the client does not wish to place its assets with Schwab, then we cannot manage the client's account through the Program. As described in the separate Program Disclosure Brochure, Schwab may aggregate purchase and sale orders for ETFs across accounts enrolled in the Program, including both accounts for our clients and accounts for clients of other independent investment advisory firms using the Program.

## **Item 13—Review of Accounts**

All client accounts are reviewed at least once per quarter by the client's Investment Advisory Representative to see if the client's asset allocation is consistent with the client's investment objectives and restrictions to consider whether any changes should be made to the client's portfolio. All accounts utilizing alternative investments are reviewed by the Chief Compliance Officer when established and when alternate investment holdings are increased.

We issue written reports to our clients each quarter. Our reports generally include a list of assets in your account, and investment results. They are delivered in hard copy, via e-mail, in person, or through our secure client portal, depending on the client's preference. Clients receive transaction history, statistical and other information from the statements issued directly by the custodian holding their account(s).

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

Clients may be referred to DIC by an unaffiliated third party (as defined under the Investment Advisors Act of 1940). In certain instances, there may be a solicitation agreement between DIC and the third party. In exchange for referring clients to DIC, third party will be paid a percentage of the total advisory fee charged and collected from the referred client for as long as the agreement is in place. The agreement does not result in increased fees to the client and is not transferable.

## Item 15—Custody

Other than having the ability to deduct our advisory fees from client accounts, and as explained below, DIC does not have custody of the assets in the account and shall have no liability to Clients for any loss or other harm to any property in the account, resulting from the insolvency of the custodian or any independent acts of the agents or employees of the custodian and whether or not the full amount or such loss is covered by the Securities Investor Protection Corporation (“SIPC”) or any other insurance which may be carried by the custodian. Clients understand that SIPC provides only limited protection for the loss of property held by a broker-dealer.

A qualified custodian/broker (usually Schwab) is responsible for sending monthly account statements, transaction reports, and year-end tax reports, directly to clients. Clients should carefully review those statements for inaccuracies. Statements can be delivered electronically, by mail, or both, depending on client preference.

DIC also sends periodic performance reports, as more fully described in Item 13. Clients should compare the account statements they receive from the custodian with the reports they receive from DIC.

## **Item 16—Investment Discretion**

As part of our standard investment advisory contract, we accept discretionary authority to manage securities accounts on behalf of our clients including the power to purchase, sell and exchange securities and other instruments, exercise all rights conferred on the holder of such assets, and reinvest all proceeds. We observe investment limitations and restrictions that you provide to us in writing.

## Item 17—Voting Client Securities

We generally do not have the authority to vote proxies on your behalf and will not provide advice to client regarding how they should vote proxies. Most clients will receive proxies and other solicitations directly from the custodian or transfer agent. If any proxy materials are received on behalf of a client, they will be sent directly to the client or a designated representative of the client, who is responsible to vote the proxy.

### **Institutional Intelligent Portfolios™**

As described in the SWIA Program Disclosure Brochure, clients enrolled in the Program designate SWIA to vote proxies for the ETFs held in their accounts. We have directed SWIA to process proxy votes and corporate actions through and in accordance with the policies and recommendations of an independent third party proxy voting service provider retained by SWIA for this purpose. Additional information about this arrangement is available in the SWIA Program Disclosure Brochure. Clients who do not wish to designate SWIA to vote proxies may retain the ability to vote proxies themselves by signing a special Schwab form available from us.



## **Item 18—Financial Information**

We must disclose any financial condition that could impair our ability to meet our contractual obligations to you. We must also disclose if we have been the subject of any bankruptcy proceeding within the last 10 years.

We have no such financial condition to disclose to you, and we have never been the subject of any bankruptcy proceeding.

## Privacy Notice

We, like other professionals who advise on personal financial matters are required to inform our clients of our policies regarding the privacy of client information.

In the course of providing our clients with certain advice, we may receive nonpublic personal financial information from our clients, their accountants and other representatives, such as financial statements, tax and income information and other personal financial information. All nonpublic personal information that we receive regarding our clients or former clients is held in strict confidence in accordance with our professional obligations, and is not released to people outside the Firm, except with your consent or as required by law or to explain our actions to professional organizations that we are members of. We may share certain information with non-affiliated third parties who assist us in providing our services to you (such as administrative and client service functions) or marketing services, to advise you of our services, subject to the obligation of these third parties not to use or disclose such information for any other purpose.

We retain records relating to professional services that we provide so that we are better able to assist you with your professional needs and, in some cases to comply with professional guidelines. In order to guard your nonpublic personal information from unauthorized disclosure, we maintain physical, electronic and procedural safeguards.

Our company's business practices are described in our firm's Form ADV Part 2. If you would like a current copy of this disclosure document, please call or write and we will be happy to send you one.

If your financial situation, goals, risk tolerance or investment time horizon has changed since you last spoke with us please contact us immediately. We need to know the details of your financial life to provide you with the individualized expert services you have come to expect from us.