



## **Banta Asset Management, LP**

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## **Form ADV, Part 2A Brochure**

March 16, 2021

This brochure provides information about the qualifications and business practices of Banta Asset Management, LP. If you have any questions about the contents of this brochure, please contact us at (949) 673-9944. 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.

Any reference to or use of the terms “registered investment adviser” or “registered,” does not imply that Banta Asset Management, LP or any person associated with Banta Asset Management, LP has achieved a certain level of skill or training. Additional information about Banta Asset Management, LP is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## ITEM 2 - MATERIAL CHANGES

The purpose of this page is to inform you of any material changes to this brochure. If you are receiving this brochure for the first time this section may not be relevant to you.

Banta Asset Management, LP (“Banta”) reviews and updates our brochure at least annually to confirm that it remains current. Banta made the following material changes with the annual update to our brochure, dated March 16, 2021.

### ***Item 8 - Methods Of Analysis, Investment Strategies And Risk Of Loss:***

- We added language regarding the risks associated with concentrated positions in client portfolios.

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## ITEM 4 - ADVISORY BUSINESS

### Description of Advisory Firm

Banta Asset Management, LP (“Banta,” “we,” “our,” or “us”) is a privately owned limited partnership headquartered in Newport Beach, CA. Banta is registered as an investment adviser with the U.S. Securities and Exchange Commission. Mark, Michael, and Stephen Banta co-founded Banta in 2004 along with their father, David Banta (emeritus).

#### Fiduciary Duty

Registered investment advisers are considered fiduciaries under federal law. Our fiduciary duty carries with it an obligation to act in the best interest of our clients pursuant to a relationship of trust and confidence. It encompasses a *duty of care* and a *duty of loyalty*.

#### *Duty of Care*

The duty of care includes, among other things,

1. the duty to provide advice that is in the best interest of the client;
2. the duty to seek best execution of a client’s transactions where the adviser has the responsibility to select broker-dealers to execute client trades; and
3. the duty to provide advice and monitoring over the course of the relationship.

The duty to provide advice suitable to each client based on a reasonable understanding of the client’s objectives is a critical component of the duty of care. Providing suitable advice includes making a reasonable inquiry into the client’s financial situation, investment experience, and financial goals and then updating this information as necessary throughout the course of the relationship to reflect the client’s changing objectives over time and adjusting the advice we provide to reflect any changed circumstances.

When Banta has the responsibility to select broker-dealers to execute client trades in discretionary accounts, we seek to trade such that the client’s total cost or proceeds in each transaction are the most favorable under the circumstances. In doing so, we consider the full range and quality of a broker’s services and so the determinative factor is not necessarily the lowest possible commission cost but whether the transaction represents the best qualitative execution. Moreover, we periodically and systematically evaluate the execution we receive on behalf of our clients.

Our duty of care includes an obligation to provide advice and monitoring at a frequency that is in the best interest of the client, taking into account the scope of the agreed relationship. This scope is indicated by the duration and nature of the services as outlined in each client’s advisory arrangement and extends to all personalized advice provided to clients.

#### *Duty of Loyalty*

Banta adheres to a duty of loyalty where we seek to serve the best interests of our clients and never subordinate the interests of our clients to our own. Simply put, Banta cannot place its own interests ahead of the interests of our clients. In observance of this duty, we must make full and fair disclosure to clients of all material facts relating to the advisory relationship. Further, we also seek to eliminate or at least expose through full and fair disclosure all conflicts of interest which might incline Banta,

consciously or unconsciously, to render advice that is not disinterested. We believe that in order for disclosure to be full and fair, it should be sufficiently specific so that each client is able to understand the material fact or conflict of interest and make an informed decision whether to provide consent. Consequently, we provide this ADV 2A brochure to all prospective clients at or before entering into a contract so that they can use the information within to decide whether or not to enter into an advisory relationship.

## **Advisory Services Offered**

Banta offers the following services to advisory clients:

### *Investment Management Services*

Banta offers advice to clients regarding asset allocation and the selection of investments. Our investment management services include the design, implementation, and continued monitoring of client accounts on a discretionary basis. Investment selections/recommendations are guided by the stated objectives of the Client. In addition, we consider the client's risk profile and financial status prior to selecting investments/making recommendations.

Banta will primarily utilize Exchange traded funds (ETFs) when making investment selections/recommendations in client accounts. Additionally, Banta's investment selections/recommendations, depending on the individual investment objectives and needs of the client may include:

1. Equity securities, including stocks and foreign securities listed on U.S. exchanges (ADRs)
2. Fixed income securities, including corporate and government bonds, commercial paper, and certificates of deposit (CDs)
3. U.S. government securities
4. Municipal securities
5. Securities with equity and debt characteristics, including convertible bonds, preferred stocks or other preferred securities
6. Money market funds and cash

Banta also occasionally offers advice regarding additional types of investments if they are appropriate to address the individual needs, goals, and objectives of the client or in response to client inquiry. Banta may offer investment advice on any investment held by the client at the start of the advisory relationship. We describe the material investment risks for many of the securities that we select/recommend under the heading ***Specific Security Risks*** in ***Item 8*** below.

We discuss our discretionary authority below under ***Item 16 - Investment Discretion***. For more information about the restrictions clients can put on their accounts, see ***Tailored Services and Client Imposed Restrictions*** in this item below.

We describe the fees charged for investment management services below under ***Item 5 - Fees and Compensation***.

### Financial Planning Services

When Banta determines it to be in the best interest of the client or at a client's request, we will provide comprehensive financial planning services, either as part of our overall advisory services or as a separate service. When utilized, these services may involve providing advice to clients regarding the investment/management of financial resources based upon an analysis of their individual needs. Banta's financial planning services may include the preparation of a written financial plan, but do not include services pertaining to income tax, gift, or estate tax returns, or preparation of any legal documents.

We describe the fees charged for financial planning related services below under ***Item 5 - Fees and Compensation***.

### Consulting/Other Services

Banta offers other financial consulting as requested by the client. We describe the fees charged for consulting services below under ***Item 5 - Fees and Compensation***.

### Limitations on Investments

In some circumstances, Banta's advice may be limited to certain types of securities.

#### *Limitation by Plan Sponsor/Employer*

In the event Banta is managing assets within a retirement plan such as 401(k), 403(b), ORP or other employer plan, Banta is limited to those investment providers and investment options chosen by the plan administrator. Similarly, when we provide services to participants in an employer-sponsored plan, the participant may be limited to investing in securities included in the plan's investment options. Therefore, Banta can only make recommendations to the client from among the available options and will not recommend or invest the client's account in other securities, even if there may be more suitable options elsewhere.

#### *Limitation by Client*

Banta may also limit advice based on certain client-imposed restrictions. For more information about the restrictions clients can put on their accounts, see ***Tailored Services and Client Imposed Restrictions*** in this Item below.

### Non-Managed Assets

At its discretion, Banta may offer securities trading and inventory activities for cash and securities in a client's non-managed account, acting as an intermediary between the client and the custodian of the non-managed account. We do not provide investment advice regarding a client's non-managed assets or provide opinions as to the merits of any securities in non-managed accounts. We also do not make any judgments as to the appropriateness of assumed risk or suitability of any non-managed investment given the client's situation. At our discretion, Banta may offer this service without charge in consideration of the client's other accounts that we manage. Otherwise, services requested by clients with non-managed asset agreements will be billed in accordance with our financial consulting services listed below under ***Item 5 - Fees and Compensation***.



## Tailored Services and Client Imposed Restrictions

Banta manages client accounts based on the investment strategy the client chooses, as discussed below under **Item 8 - Methods of Analysis, Investment Strategies, and Risk of Loss**. Banta applies the strategy for each client, based on the client's individual circumstances and financial situation. We make investment decisions for clients based on information the client supplies about their financial situation, goals, and risk tolerance. Our recommendations/investment selections may not be suitable if the client does not provide us with accurate and complete information. It is the client's responsibility to keep Banta informed of any changes to their investment objectives or restrictions.

Clients may also request other restrictions on the account, such as when a client needs to keep a minimum level of cash in the account or does not want Banta to buy or sell certain specific securities or security types in the account. Banta reserves the right to not accept and/or terminate management of a client's account if we feel that the client-imposed restrictions would limit or prevent us from meeting or maintaining the client's investment strategy.

## Wrap Fee Program

We discontinued the Banta Asset Management Wrap Fee Program in 2017 and no longer manage accounts as part of a wrap or bundled fee program.

## Assets Under Management

Banta manages client assets in discretionary accounts on a continuous and regular basis. As of December 31, 2020, the total amount of assets under our management was \$168,621,099.

## ITEM 5 - FEES AND COMPENSATION

### Fee Schedule

#### Investment Management Services

Banta charges advisory fees for investment management services based on a percentage of the client's total assets under management. The fees generally range from 0.25% to 2.00% annually based on the scope and complexity of the services provided to the client. Some accounts are under different fee schedules honoring prior agreements. At our discretion, fees may be negotiable based on a number of factors, which include but are not limited to "grandfathered" accounts, related accounts, and other structures that we may consider in special situations.

In rare circumstances, Banta aggregates client accounts that have family relationships with each other for purposes of calculating the advisory fees applicable to each client. We also manage some family and related accounts without charge. At our discretion, we may make pro-rations for additions or withdrawals made by the client during a calendar quarter. The client's quarterly fee calculation will reflect any pro-rated additions and/or reductions.

### Financial Planning Services

Compensation for Banta's Financial Planning services is generally included in our advisory fees for Investment Management Services clients. Alternately, non-Investment Management Services clients will be charged a fixed fee depending on the scope of the services requested or invoiced at the rate of \$350 per hour for our Financial Planning Services. The hourly rate may be negotiable at our discretion.

### Consulting Services

At a client's request, Banta offers consulting services at an hourly rate of \$350.00, which is generally negotiable depending on the nature and complexity of each client's circumstances. In these instances, we will provide an estimate of the total hours required at the start of the relationship.

## **Billing Method**

### Investment Management Services

Banta's advisory fees are payable quarterly in advance at the beginning of each calendar quarter. We charge one fourth of the annual fee each quarter based on the market value of the client's portfolio as of the last day of the prior calendar quarter. The formula used for the calculation is as follows:  $(\text{Annual Rate}) \times (\text{Total Assets Under Management at Quarter-End}) / 4$ .

For new client accounts, the first payment is a pro-rata calculation due upon execution of the advisory agreement and/or when the client places assets in the custodial account(s) we manage for them. The calculation will take into consideration the number of days remaining in the quarter and the initial value of the portfolio. The formula used to calculate the initial advisory fee would be as follows:  $(\text{Result of Quarterly Calculation}) \times (\text{Days Remaining in Quarter}) / (\text{Total Number of Days in Quarter})$ .

With client authorization, Banta will automatically withdraw Banta's advisory fee from the client's account held by an independent custodian. Typically, the custodian withdraws advisory fees from the client's account during the first month of each quarter based on Banta's instruction. All clients will receive brokerage statements from the custodian no less frequently than quarterly. The custodian statement will show the deduction of the advisory fee for those clients who authorize the advisory fees to be withdrawn directly from their custodian account.

### Consulting Services

One-half of the total estimated hourly consulting fees are due and payable at the time the client executes the agreement. The remainder of the fee, based on actual hours spent, is due upon the rendering of consulting services. Fees are invoiced to the client.

## **Other Fees and Expenses**

Banta's fees do not include custodian fees. Clients pay all brokerage commissions, stock transfer fees, margin interest, and/or other similar charges incurred in connection with transactions in accounts, from the assets in the account. These charges are in addition to the fees client pays to Banta. See **Item 12 - Brokerage Practices** below for more information.

Clients that make requests for Banta to purchase/hold mutual fund shares held in their accounts should be aware that they might be subject to deferred sales charges, 12b-1 fees, and other fund-related expenses. Each fund's prospectus fully describes the fees and expenses. All fees paid to Banta for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds. Mutual funds pay advisory fees to their managers, which are indirectly charged to all holders of the mutual fund shares.

## **Termination**

### **Investment Management Services**

Either party may terminate the agreement upon thirty (30) days written notice to the other party. The client will receive a prorated refund based on the effective date of termination. Account fees will not be refunded when a client terminates their account(s) during last month of a calendar quarter. The client may terminate the agreement by writing Banta at our office. Banta will refund any prepaid, unearned advisory fees based on the effective date of termination. Upon termination of the agreement, we will send the client a prorated refund of unearned advisory fees using the following formula:  $(Fees\ Paid) \times (Days\ Remaining\ in\ Quarter) / (Total\ Number\ of\ Days\ in\ Quarter)$ .

Terminations will not affect liabilities or obligations from transactions initiated in client accounts prior to termination. In the event the client terminates the investment advisory agreement, Banta will not liquidate any securities in the account unless authorized in writing by the client to do so. In the event of client's death or disability, Banta will continue management of the account until we are notified of client's death or disability and given alternative instructions by an authorized party.

### **Consulting Services**

Banta considers our consulting services to be complete, and the agreement terminated upon delivery of the agreed services. In the event that either the client or Banta wishes to terminate the consulting agreement before rendering of the services, either party may terminate the agreement at any time by providing written notice to the other party. The client may terminate the agreement at any time by writing Banta at our office. Upon notice of termination, Banta will provide the client with an invoice for services provided through the date of termination. If the client paid fees in advance that were more than the amount due for services, Banta will refund any unearned fees.

## **Other Compensation**

See ***Agent of Unaffiliated Insurance Agency*** in ***Item 10***, below.

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

Banta does not charge performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

## ITEM 7 - TYPES OF CLIENTS

Banta offers discretionary investment advisory and financial planning services to individuals, high net worth individuals, and trusts and estates. In addition, we offer advisory services to pension and profit sharing plans, charitable organizations, and businesses.

### Account Requirements

Generally, Banta requires a minimum account size of \$500,000 at the start of the advisory relationship. At our discretion, we may combine family accounts to meet the account size minimum, or reduce or waive the account minimum altogether.

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

### Methods of Analysis and Investment Strategies

#### *General Investment Strategies*

Banta's general investment strategy is to seek real capital growth proportionate with the level of risk the client is willing to take. Banta treats each client account uniquely. Banta typically considers the client's investment objectives, age, sophistication, time horizon, risk tolerance, and any special considerations and/or restrictions the client chooses to place on the management of the account.

Banta will then select investments/make recommendations that we feel are consistent with the client's objectives. Banta selects categories of investments based on the clients' attitudes about risk and their need for capital appreciation or income. Different instruments involve different levels of exposure to risk. Since Banta treats each client account uniquely, client portfolios with a similar investment objectives and asset allocation goals sometimes own different securities. Timing and tax factors also influence Banta's investment decisions. Clients who buy or sell securities on the same day may receive different prices.

#### *Methods of Analysis for Selecting Securities*

Banta primarily uses fundamental analysis in the selection of individual securities. Additionally, Banta may use technical, and/or cyclical analysis and other specific strategies or resources in the method of analysis and selection of fixed income securities.

#### *Fundamental Analysis*

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

#### *Technical Analysis*

The profitability of technical analysis depends upon the accurate forecasting of major price moves or trends in the securities traded by Banta. However, there is no assurance of accurate forecasts or that trends will develop in the markets we follow. In the past, there have been periods without discernible trends and similar periods will presumably occur in the future. Even where major trends develop, outside factors like government intervention could potentially shorten them.

Furthermore, one limitation of technical analysis is that it requires price movement data, which can translate into price trends sufficient to dictate a market entry or exit decision. In a trendless or erratic market, a technical method may fail to identify trends requiring action. In addition, technical methods may overreact to minor price movements, establishing positions contrary to overall price trends, which can result in losses. Finally, a technical trading method may underperform other trading methods when fundamental factors dominate price moves within a given market.

The calculations that underlie Banta's system, methods, and strategies involve many variables, including determinants from information generated by computers and/or charts. The use of a computer in collating information or in developing and operating a trading method does not assure the success of the method because a computer is merely an aid in compiling and organizing trade information. Accordingly, no assurance is given that the decisions based on computer-generated information will produce profits for a client's account.

### *Cyclical Analysis*

Cyclical analysis involves the analysis of business cycles to find favorable conditions for buying and/or selling a security.

### *Debt Securities (Fixed Income)*

Banta relies on credit rating agencies such as Standard & Poor's and Moody's to help determine the financial strength of issuing creditors. We also use prospectuses and other relevant information from bond underwriters to help in analysis and selection of fixed income securities. Regarding fixed income investments, Banta considers the financial strength of the issuer, call provisions, liquidity factors, and bond insurance in selecting bonds for purchase. Banta solicits bids from several underwriters (i.e. brokerages) in an effort to obtain the most attractive yield on purchase.

### *Specific Investment Strategies for Managing Portfolios*

Banta may use diversification, cash as a strategic asset, long-term holding, short-term trading, dollar-cost-averaging, and defensive strategies in the construction and management of client portfolios.

### *Diversification*

Banta uses diversification among asset classes primarily through Exchange Traded Funds (ETFs) in an effort to help optimize the risk and potential return of a portfolio.

### *Cash as a Strategic Asset*

Banta may use cash as a strategic asset and may at times move or keep client's assets in cash or cash equivalents. While high cash levels can help protect a client's assets during periods of market decline, there is a risk that our timing in moving to cash is bad upon either exit or reentry into the market and we miss positive market moves.

### *Long-term Holding/Short-term Trading*

Banta does not generally purchase securities for clients with the intent to sell the securities within 30 days of purchase. However, there may be times when Banta will sell a security for a client when the client has held the position for less than 30 days.

### *Dollar-Cost-Averaging*

Dollar cost averaging involves investing money each month or quarter, to take advantage of price fluctuations in the attempt to get a lower average cost per share.

### *Defensive Strategies*

Banta may invest in any ETF, stock, bond, or cash security in the exercise of our discretion. Banta has full discretion in how we allocate client accounts among security types. Actual allocation will vary over time in accounts. At any time, client accounts may hold significant levels of cash and/or cash equivalents. Account allocations are likely to vary significantly compared to the overall equity markets as well as compared to any particular benchmark.

## **Specific Security Risks**

### *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. These include events directly involving the issuers of securities held, conditions affecting the general economy, and overall market changes. Other contributing factors include local, regional, or global political, social, or economic instability and governmental or governmental agency responses to economic conditions. Finally, currency, interest rate, and commodity price fluctuations also affect security prices and income.

### *Exchange-Traded Funds (ETFs)*

An ETF is a type of Investment Company (usually, an open-end fund or unit investment trust) containing a basket of stocks. Typically, the objective of an ETF is to achieve the same return as a particular market index, including sector indexes. An ETF is similar to an index fund in that it will primarily invest in securities of companies that are included in a selected market. Unlike traditional mutual funds, which can only be redeemed at the end of a trading day, ETFs trade throughout the day on an exchange. Like stock mutual funds, the prices of the underlying securities and the overall market generally affect ETF prices. Similarly, factors affecting a particular industry segment affect ETF prices that track that particular sector.

### *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. For example, prices of these securities can be affected by financial contracts held by the issuer or third parties (such as derivatives) relating to the security or other assets or indices.

There may be little trading in the secondary market for particular equity securities, which can adversely affect the ability to 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.

### *Small Capitalization Equity Securities*

Investing in smaller companies can 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 are often more volatile than stocks of larger, more established companies. Clients should have a long-term perspective and, for example, be able to tolerate potentially sharp declines in value.

### *Debt Securities (Bonds)*

Issuers use debt securities to borrow money. Generally, issuers pay investors periodic interest and repay the amount borrowed either periodically during the life of the security and/or at maturity. Alternatively, investors can purchase other debt securities, such as zero coupon bonds, which do not pay current interest, but rather are priced at a discount from their face values and their values accrete over time to face value at maturity. The market prices of debt securities fluctuate depending on such factors as interest rates, credit quality, and maturity. In general, market prices of debt securities decline when interest rates rise and increase when interest rates fall. The longer the time to a bond's maturity, the greater its interest rate risk.

Certain additional risk factors relating to debt securities include:

#### **Reinvestment Risk**

When interest rates are declining, investors have to reinvest their interest income and any return of principal, whether scheduled or unscheduled, at lower prevailing rates.

#### **Inflation Risk**

Inflation causes tomorrow's dollar to be worth less than today's; in other words, it reduces the purchasing power of a bond investor's future interest payments and principal, collectively known as "cash flows." Inflation also leads to higher interest rates, which in turn leads to lower bond prices.

#### **Interest Rate and Market Risk**

Debt securities may be sensitive to economic changes, political and corporate developments, and interest rate changes. Investors can also expect periods of economic change and uncertainty, which can result in increased volatility of market prices and yields of certain debt securities. For example, prices of these securities can be affected by financial contracts held by the issuer or third parties (such as derivatives) relating to the security or other assets or indices.

#### **Call Risk**

Debt securities may contain redemption or call provisions entitling their issuers to redeem them at a specified price on a date prior to maturity. If an issuer exercises these provisions in a lower interest rate market, the account would have to replace the security with a lower yielding security, resulting in decreased income to investors.

Usually, a bond is called at or close to par value. This subjects investors that paid a premium for their bond to a risk of lost principal. In reality, prices of callable bonds are unlikely to move much above the call price if lower interest rates make the bond likely to be called.

### Credit Risk

If the issuer of a debt security defaults on its obligations to pay interest or principal or is the subject of bankruptcy proceedings, the account may incur losses or expenses in seeking recovery of amounts owed to it.

### Liquidity and Valuation Risk

There may be little trading in the secondary market for particular debt securities, which can affect adversely the account's ability to value accurately or dispose of such debt securities. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease the value and/or liquidity of debt securities.

It may be possible to reduce the risks described above through diversification of the client's portfolio and by credit analysis of each issuer, as well as by monitoring broad economic trends and corporate and legislative developments, but there can be no assurance that we will be successful in doing so. Credit ratings for debt securities provided by rating agencies reflect an evaluation of the safety of principal and interest payments, not market value risk. The rating of an issuer is a rating agency's view of past and future potential developments related to the issuer and may not necessarily reflect actual outcomes. There can be a lag between the time of developments relating to an issuer and the time a rating is assigned and updated.

Bond rating agencies typically assign modifiers (such as +/-) to ratings categories to signify the relative position of a credit within the rating category. Unless we state otherwise, clients should include any security within that category without considering the modifier when reading their investment policies based on ratings categories.

### Obligations Backed by the "Full Faith and Credit" of the U.S. Government

U.S. government obligations include the following types of securities:

#### U.S. Treasury Securities

U.S. Treasury securities include direct obligations of the U.S. Treasury, such as Treasury bills, notes, and bonds. For these securities, the U.S. government unconditionally guarantees the payment of principal and interest, resulting in the highest possible credit quality. Fluctuations in interest rates subject U.S. Treasury securities to variations in market value. However, they are paid in full when held to maturity.

#### Federal Agency Securities

Certain U.S. government agencies and government-sponsored entities guarantee the timely payment of principal and interest with the backing of the full faith and credit of the U.S. government. Such agencies and entities include The Federal Financing Bank (FFB), the Government National Mortgage Association (Ginnie Mae), the Veterans Administration (VA), the Federal Housing Administration (FHA), the Export-Import Bank (Exim Bank), the Overseas Private Investment Corporation (OPIC), the Commodity Credit Corporation (CCC) and the Small Business Administration (SBA).

#### Other Federal Agency Obligations

Additional federal agency securities neither are direct obligations of, nor guaranteed by, the U.S. government. These obligations include securities issued by certain U.S. government agencies and



government-sponsored entities. However, they generally involve some form of federal sponsorship: some operate under a government charter; specific types of collateral back some; the issuer's right to borrow from the Treasury supports some; and only the credit of the issuing government agency or entity supports others. These agencies and entities include but are not limited to the Federal Home Loan Bank, Federal Home Loan Mortgage Corporation (Freddie Mac), Federal National Mortgage Association (Fannie Mae), and the Tennessee Valley Authority and Federal Farm Credit Bank System.

On September 7, 2008, Freddie Mac and Fannie Mae were placed into conservatorship by their new regulator, the Federal Housing Finance Agency. Simultaneously, the U.S. Treasury made a commitment of indefinite duration to maintain the positive net worth of both firms.

### Municipal Bonds

Municipal bonds are debt obligations generally issued to obtain funds for various public purposes, including the construction of public facilities. Municipal bonds pay a lower rate of return than most other types of bonds. However, because of a municipal bond's tax-favored status, investors should compare the relative after-tax return to the after-tax return of other bonds, depending on the investor's tax bracket. Investing in municipal bonds carries the same general risks as investing in bonds in general. Those risks include interest rate risk, reinvestment risk, inflation risk, market risk, call or redemption risk, credit risk, and liquidity and valuation risk. Investing in municipal bonds carries risk unique to these types of bonds, which may include:

#### Legislative Risk

Legislative risk includes the risk that a change in the tax code could affect the value of taxable or tax-exempt interest income.

#### Tax-Bracket Changes

Municipal bonds generate tax-free income, and therefore pay lower interest rates than taxable bonds. Investors who anticipate a significant drop in their marginal income-tax rate may benefit from the higher yield available from taxable bonds.

#### Liquidity Risk

The risk that investors may have difficulty finding a buyer when they want to sell and may be forced to sell at a significant discount to market value. Liquidity risk is greater for thinly traded securities such as lower-rated bonds, bonds that were part of a small issue, bonds that have recently had their credit rating downgraded or bonds sold by an infrequent issuer. Municipal bonds may be less liquid than other bonds.

#### Credit Risk

Credit risk includes the risk that a borrower will be unable to make interest or principal payments when they are due and therefore default. To reduce investor concern, insurance policies that guarantee repayment in the event of default back many municipal bonds.

### Securities with Equity and Debt Characteristics

Some securities have a combination of equity and debt characteristics. These securities may at times behave more like equity than debt or vice versa. Some types of convertible bonds, preferred stocks or

other preferred securities automatically convert into common stocks or other securities at a stated conversion ratio and some may be subject to redemption at the option of the issuer at a predetermined price. These securities, prior to conversion, may pay a fixed rate of interest or a dividend. Because convertible securities have both debt and equity characteristics, their values vary in response to many factors, including the values of the securities into which they are convertible, general market and economic conditions, and convertible market valuations, as well as changes in interest rates, credit spreads and the credit quality of the issuer.

These securities may include hybrid securities, which also have equity and debt characteristics. Such securities are normally at the bottom of an issuer's debt capital structure. As such, they may be more sensitive to economic changes than more senior debt securities. Investors may also view these securities as more equity-like by the market when the issuer or its parent company experience financial problems.

The prices and yields of nonconvertible preferred securities or preferred stocks generally move with changes in interest rates and the issuer's credit quality, similar to the factors affecting debt securities. Nonconvertible preferred securities may be treated as debt for account investment limit purposes.

### *Investing Outside the U.S.*

Investing outside the United States may involve additional risks of foreign investing. These risks can include currency controls and fluctuating currency values, and different accounting, auditing, financial reporting, disclosure, and regulatory and legal standards and practices. Additional factors may include changing local, regional, and global economic, political, and social conditions. Further, expropriation, changes in tax policy, greater market volatility, different securities market structures, and higher transaction costs can be contributors. Finally, various administrative difficulties, such as delays in clearing and settling portfolio transactions or in receiving payment of dividends can also lead to additional risk.

### *American Depositary Receipts (ADRs)*

An ADR is a stock that trades in the United States but represents a specified number of shares in a foreign corporation. Investors buy and sell ADRs on American markets just like regular stocks. Banks and brokerage firms issue/sponsor ADRs. ADRs are subject to additional risks of investing in foreign securities, including, but not limited to, less complete financial information available about foreign issuers, less market liquidity, more market volatility, and political instability. In addition, currency exchange-rate fluctuations affect the U.S. dollar-value of foreign holdings.

### *Concentrated Portfolios*

Banta manages diversified portfolios for clients allocated to each client's stated investment objectives. However, we also generally include one or more concentrated equity positions in a client's portfolio (typically putting them outside their stated objectives), or direct us to sell off a portion of such concentrated position in an effort to keep the entire portfolio reflective of their chosen strategy. Clients should consider tax implications, the fact that the risk of a concentrated portfolio with limited diversification increases the possibility of substantial losses and depreciation of the portfolio value due to unanticipated external events, the concentrated stock or sector not performing as expected, and/or deteriorating economic or market circumstances domestically and/or internationally.

### Cash and Cash Equivalents

Cash and cash equivalents are the most liquid of investments. Cash and cash equivalents are considered very low-risk investments meaning, there is little risk of losing the principal investment. Typically, low risk also means low return and the interest an investor can earn on this type of investment is low relative to other types of investing vehicles.

### Risks Associated with Financial Planning Services

The financial planning tools Banta uses to create financial plans for clients rely on various assumptions, such as estimates of inflation, risk, economic conditions, and rates of return on security asset classes. All return assumptions use asset class returns, not returns of actual investments, and do not include fees or expenses that clients would pay if they invested in specific products. Financial planning software is only a tool used to help guide Banta and the client in developing an appropriate plan, and we cannot guarantee that clients will achieve the results shown in the plan. Results will vary based on the information provided by the client regarding the client's assets, risk tolerance, and personal information. Changes to the program's underlying assumptions or differences in actual personal, economic, or market outcomes can result in materially different results for the client.

## **ITEM 9 - DISCIPLINARY INFORMATION**

Banta and our personnel seek to maintain the highest level of business professionalism, integrity, and ethics. Banta does not have any disciplinary information to disclose.

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

### **Agent of Unaffiliated Insurance Agency**

Mark Banta is licensed as an insurance agent and can offer health and life health insurance products (CA License # 0B28338). While Banta does not receive any commissions for insurance recommendations, Mark Banta would receive commissions on the sale of insurance products. In all cases, he will fully disclose any insurance commissions to the client. The insurance commissions are separate from and in addition to any fees that Banta receives for advisory services. Clients are not obligated to act upon any insurance recommendations or effect any transactions through Mark Banta if they decide to follow his recommendations.

### **Other Affiliated Business**

Principals of Banta serve as trustees to certain clients in exchange for trustee fees. All trustee client funds and securities are custodied with an independent custodian. Banta does not offer or provide trustee services as part of our advisory services. Advisory clients that utilize principals of Banta for trustee services sometimes pay a separate fee in addition to the scheduled advisory fee for Banta's management services. We address and disclose the potential conflicts and custody issues pertaining to how this activity affects Banta's business under **Item 15 – Custody**, below.

## ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

### Code of Ethics

Banta believes that we owe clients the highest level of trust and fair dealing. As part of our fiduciary duty, we place the interests of our clients ahead of the interests of the firm and our personnel. Banta's personnel are required to conduct themselves with integrity at all times and follow the principles and policies detailed in our Code of Ethics.

Banta's Code of Ethics attempts to address specific conflicts of interest that either we have identified or that could likely arise. Banta's personnel are required to follow clear guidelines from the Code of Ethics in areas such as gifts and entertainment, other business activities, prohibitions on insider trading, and adherence to applicable state and federal securities laws. Additionally, individuals who make securities recommendations to clients, or who have access to nonpublic information regarding any clients' purchase or sale of securities are subject to personal trading policies governed by the Code of Ethics (see below).

Banta will provide a complete copy of the Code of Ethics to any client or prospective client upon request.

### Personal Trading Practices

Banta and our personnel purchase and sell securities for themselves, regardless of whether the transaction would be appropriate for the client account. Banta and our personnel sometimes purchase or sell securities for themselves that we also recommend to clients. This includes related securities (e.g., warrants, options, or futures). This presents a potential conflict of interest as we may have an incentive to take investment opportunities from clients for our own benefit, favor our personal trades over client transactions when allocating trades, or to use the information about the transactions we intend to make for clients to our personal benefit by trading ahead of clients.

Our policies to address these conflicts include the following:

1. The client receives the opportunity to act on investment recommendations prior to and in preference to accounts of Banta and our personnel.
2. Banta prohibits trading in a manner that takes personal advantage of price movements caused by client transactions.
3. If we wish to purchase or sell the same security that we are considering or taking action to purchase or sell for a client, we will not do so until the broker-dealer fills client orders or we have decided not to purchase or sell the security for clients (except when the transaction meets our de minimis policy described below or when we are aggregating personal and proprietary trades with client trades as disclosed further in this item below). As a result of this policy, it is possible that clients will receive a better or worse price than our personnel for the same security on the same day as a client or one or more days before or after the client's transaction.

4. Banta requires our personnel to report personal securities transactions on a quarterly basis.
5. Conflicts of interest also can arise when Banta's personnel become aware of limited offerings or IPOs, including private placements or offerings of interests in limited partnerships or any thinly traded securities, whether public or private. Given the inherent potential for conflict, limited offerings and IPOs demand extreme care. Banta's personnel are required to obtain pre-approval from the Chief Compliance Officer before trading in these types of securities.
6. Under certain limited circumstances, we make exceptions to the policies stated above. Banta will maintain records of these trades, including the reasons for any exceptions.

### *De minimis Policy*

Securities transactions by Banta and our personnel are generally subject to a pre-clearance policy that seeks to make personal trading consistent with our fiduciary duty to clients. However, Banta and our personnel are not required to pre-clear certain de minimis transactions that we believe would not adversely affect client interests or the securities markets when conducting small transactions in largely capitalized/frequently traded securities. Banta and our personnel are not required to pre-clear the following types of transactions:

#### *Equity Securities*

The transaction is under \$20,000 and the security has a market capitalization of over \$2 billion, or three-month average daily trading volume of over two million shares; and the security trades on the NYSE or other domestic exchange/financial market, including NASDAQ (excluding all options).

#### *Exchange Traded Funds*

The transaction is under \$20,000 and the security has an average daily trading volume of over two million shares and the security trades on the NYSE/AMEX or other domestic exchange/financial market, including NASDAQ.

#### *Debt Securities*

The bond purchase or sale is less than \$100,000 in principal amount per issuer.

### *Aggregation with Client Orders*

Banta generally aggregates transactions in like securities among client accounts as well as with accounts of Banta and our personnel. Aggregation presents a conflict of interest as we may have an incentive to allocate more favorable executions to our own accounts or the accounts of our personnel. Our policies to address this conflict are as follows:

1. We will disclose our aggregation policies in this brochure;
2. We will not aggregate transactions unless we believe that aggregation is consistent with our duty to seek best execution (which includes the duty to seek best price) for our clients. The trade also needs to be consistent with the terms of our investment advisory agreement with each client that has an account included in the aggregation;

3. We will not favor any account over any other account. This includes accounts of Banta or any of our personnel. Each account in the aggregated order will participate at the average share price for all of our transactions in a given security on a given business day (per custodian). All accounts will pay their individual transaction costs;
4. Before entering an aggregated order, we will prepare a written statement (the "Allocation Statement") specifying the participating accounts and how we intend to allocate the order among those accounts;
5. If the aggregated order is filled entirely, we will allocate shares among clients according to the Allocation Statement; if the order is partially filled, we will generally allocate it pro-rata according to the Allocation Statement. However, we may allocate the order differently than specified in the Allocation Statement if all client accounts receive fair and equitable treatment. Examples include but are not limited to:
  - a. When only a small percentage of the order is executed, with respect to purchase allocations, allocations may be given to accounts high in cash;
  - b. With respect to sale allocations, allocations may be given to accounts low in cash;
  - c. We may allocate shares to the account with the smallest order, or to the smallest position, or to an account that is out of line with respect to security or sector weightings, relative to other portfolios with similar mandates;
  - d. We may allocate to one account when that account has limitations in its investment guidelines prohibiting it from purchasing other securities that we expect to produce similar investment results and that can be purchased by other accounts in the block;
  - e. If an account reaches an investment guideline limit and cannot participate in an allocation, we may reallocate shares to other accounts. For example, this may be due to unforeseen changes in an account's assets after an order is placed;

In any case, we will explain the reasons for a different allocation in writing, which the CCO must approve;

6. If an aggregated order is partially filled and we allocate it differently than the Allocation Statement specifies, no participating account may purchase or sell the security for a reasonable period following the execution of the block trade. This only applies when the participating account sells or receives more shares than it would have if the aggregated order had been completely filled;
7. Our books and records will separately reflect each aggregated order and the securities held by, bought, and sold for each client account;
8. Funds and securities of clients participating in an aggregated order will be deposited with one or more qualified custodians. Clients' cash and securities will not be held collectively any longer than is necessary to settle the trade on a delivery versus payment basis. Following settlement, cash or securities held collectively for clients will be delivered out to the qualified custodian as soon as practical;

9. We do not receive additional compensation or remuneration of any kind as a result of aggregating orders; and
10. We will provide individual investment advice and treatment to each client's account.

## **Participation or Interest in Client Transactions**

The following items represent situations where a conflict of interest may exist between the client and Banta and our personnel.

### *Managing Member*

Banta Capital Management, the general partner of Banta Asset Management, LP, serves as managing member of entities established to hold direct participation program interests proportionately for investors in limited offerings, including Banta's associated persons and some of the firm's clients. In 2018, the remaining assets in these programs were distributed/closed out and the entities are scheduled to be terminated with the CA Secretary of State, effective 12/31/2018. Banta no longer offers direct participation program interests or any other private placement strategies in client accounts.

## **ITEM 12 - BROKERAGE PRACTICES**

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

#### *Investment Management Services*

Clients must maintain assets in an account at a "qualified custodian," generally a broker-dealer or bank. We recommend that our clients use Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, as the qualified custodian. We are independently owned and operated, and unaffiliated with Schwab. Schwab will hold client assets in a brokerage account and buy and sell securities when we instruct them to.

While we recommend that clients use Schwab as custodian/broker, client must decide whether to do so and open accounts with Schwab by entering into account agreements directly with them. We will open accounts with Schwab on the client's behalf and will notify the client in writing of the custodian's name, address, and the title of the account, promptly when the account is opened and following any changes to this information. The accounts will always be held in the name of the client and never in Banta's name. Even though clients maintain accounts at Schwab, we can still use other brokers to execute trades for client accounts (see ***Client Brokerage and Custody Costs***, below).

#### *How We Select Brokers/Custodians*

We seek to recommend a custodian/broker who will hold client assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others:

1. Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
2. Capability to execute, clear, and settle trades (buy and sell securities for client accounts)

3. Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
4. Breadth of available investment products (stocks, bonds, exchange-traded funds [ETFs], etc.)
5. Availability of investment research and tools that assist us in making investment decisions
6. Quality of services
7. Competitiveness of the price of those services (commission rates, other fees, etc.) and willingness to negotiate the prices
8. Reputation, financial strength, and stability
9. Prior service to Banta and our other clients
10. Availability of other products and services that benefit us, as discussed below (see ***Products and Services Available to Us From Schwab***)

### *Client Brokerage and Custody Costs*

For our clients' accounts that Schwab maintains, Schwab generally does not charge separately for custody services. However, Schwab receives compensation by charging commissions or other fees on trades that it executes or that settle into clients' Schwab accounts. In addition to commissions, Schwab charges 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 a client's Schwab account. These fees are in addition to the commissions or other compensation the client pays the executing broker-dealer. Because of this, in order to minimize trading costs, we have Schwab execute most trades for client accounts. We have determined that having Schwab execute most trades is consistent with our duty to seek "best execution" of client trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see ***How We Select Brokers/Custodians***).

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

Schwab Advisor Services™ (formerly called Schwab Institutional®) is Schwab's business serving independent investment advisory firms like us. They provide Banta 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; others help us manage and grow our business. Schwab's support services generally are available on an unsolicited basis (we do not have to request them) and at no charge to us.

Following is a more detailed description of Schwab's support services:

#### *Services That Benefit Our Clients*

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 our clients and their accounts.



### Services That May Not Directly Benefit Our Clients

Schwab also makes available to us other products and services that benefit us but may not directly benefit our clients or their accounts. 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 a 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:

1. Provide access to client account data (such as duplicate trade confirmations and account statements)
2. Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
3. Provide pricing and other market data
4. Facilitate payment of our fees from our clients' accounts
5. Assist with back-office functions, recordkeeping, and client reporting

### Services That Generally Benefit Only Us

Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

1. Educational conferences and events
2. Consulting on technology, compliance, legal, and business needs
3. Publications and conferences on practice management and business succession
4. Access to employee benefits providers, human capital consultants, and insurance providers

Schwab provides some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab has also discounted or waived its fees for some of these services or pay all or a part of a third party's fees in the past and may do so again in the future. Schwab may also provide us with other benefits, such as occasional business entertainment of our personnel.

### Our Interest in Schwab's Services

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. These services are not contingent upon us committing any specific amount of business to Schwab in trading commissions. We believe that our selection of Schwab as custodian and broker is in the best interests of our clients.

### Brokerage for Client Referrals

Banta does not receive client referrals from any broker-dealer or third party in exchange for using that broker-dealer or third party.

### Directed Brokerage

Banta will not allow clients to direct us to use a specific broker-dealer to execute transactions. Clients must use the broker-dealers that Banta recommends. Not all investment advisers require their clients to trade through specific brokerage firms. By requiring clients to use Schwab, Banta believes we may be able to more effectively manage the client's portfolio, achieve favorable execution of client transactions, and overall lower the costs to the portfolio. Client accounts will always be held in the name of the client

and never in Banta's name. Even though clients maintain accounts at Schwab, we can still use other brokers to execute trades for client accounts.

Since we require most of our clients to maintain their accounts with Schwab, it is also important for clients to consider and compare the significant differences between having assets custodied at another broker-dealer, bank or other custodian prior to opening an account with us. Some of these differences include, but are not limited to; total account costs, trading freedom, transaction fees/commission rates, and security and technology services.

Banta generally will not recommend a broker-dealer/custodian to individuals in existing employer-sponsored plan accounts.

### **Aggregation and Allocation of Transactions**

We describe our aggregation practices in detail under *Item 11 - Aggregation with Client Orders* above.

## **ITEM 13 - REVIEW OF ACCOUNTS**

### **Managed Account Reviews**

We manage portfolios on a continuous basis and generally review all positions in client accounts at least quarterly for consistency with the investment strategy and performance. We offer account reviews to clients at various intervals based on the complexity of the client's investments and the client's preference. Banta's Partners conduct all reviews based on a variety of factors. These factors may include but are not limited to stated investment objectives, economic environment, outlook for the securities markets, and the merits of the securities in the accounts. Michael Banta, Partner, reviews all accounts.

In addition, we may conduct a special review of an account based one or more of the following:

1. A change in the client's investment objectives, guidelines and/or financial situation;
2. Changes in diversification;
3. Tax considerations; or
4. Material cash deposits or withdrawals.

### **Account Reporting**

Each client receives a written statement from the custodian that includes an accounting of all holdings and transactions in the account for the reporting period. Banta does not provide additional reporting on the accounts we manage.

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

### **Schwab Support Products and Services**

We receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are

described above (see **Item 12 – Brokerage Practices**). We do not base particular investment advice, such as buying particular securities for our clients, on the availability of Schwab's products and services to us.

### Outside Compensation

Banta may refer clients to unaffiliated professionals for specific needs. In turn, these professionals may refer clients to Banta for advisory services. At Banta, we do not have any agreements with individuals or companies that we refer clients to, and we do not receive any compensation for these referrals. However, it could be concluded that Banta is receiving an indirect economic benefit from the arrangement, as the relationships are mutually beneficial. For example, there could be an incentive for us to recommend services of firms who refer clients to Banta.

Banta only refers clients to professionals we believe are competent and qualified in their field, but it is ultimately the client's responsibility to evaluate the provider, and it is solely the client's decision whether to engage a recommended firm. Clients are under no obligation to purchase any products or services through these professionals, and Banta has no control over the services provided by another firm. Clients who chose to engage these professionals will sign a separate agreement with the other firm. Fees charged by the other firm are separate from and in addition to fees charged by Banta.

If the client desires, Banta will work with these professionals or the client's other advisers (such as an accountant or attorney) to help ensure that the provider understands the client's investments and to coordinate services for the client. Banta will never share information with an unaffiliated professional unless first authorized by the client.

## **ITEM 15 - CUSTODY**

Banta has custody of certain clients' assets, such as when one of the principals of Banta is a trustee on a client's account. Banta has put controls in place, in compliance with federal rules, to protect clients' assets over which we have custody. An independent qualified custodian (generally a broker-dealer, bank, trust company, or other financial institution) holds each client's assets – Banta does not act as custodian for any client. The custodian, at least quarterly, sends account statements directly to the client or client's independent representative. In addition, an independent accountant conducts annual surprise examinations of client accounts over which Banta has custody.

Banta also has limited custody of our clients' funds or securities when clients authorize us to deduct our management fees directly from the client's account. As mentioned above, clients' accounts are held by independent qualified custodians who send statements directly to the client at least quarterly. The statements will reflect the client's funds and securities held with the qualified custodian as well as any transactions that occurred in the account, including the deduction of Banta's fee. Clients should carefully review the account statements they receive from their qualified custodian. When clients receive statements from Banta as well as from the qualified custodian, clients should compare these two reports carefully. Clients with any questions about their statements should contact us at the address or phone number on the cover of this brochure. Clients who do not receive their statement from their qualified custodian at least quarterly should also notify us.

Banta is also deemed to have custody of clients' funds or securities when clients have standing authorizations with their custodian to move money from a client's account to a third-party ("SLOA") and under that SLOA authorize us to designate the amount or timing of transfers with the custodian. The SEC has set forth a set of standards intended to protect client assets in such situations, which we follow.

## ITEM 16 - INVESTMENT DISCRETION

### Discretionary Management Agreements

Banta has full discretion to decide the specific security to trade, the quantity, and the timing of transactions for client accounts. Banta will not contact clients before placing trades in their account, but clients will receive confirmations directly from the broker for any trades placed. Clients grant us discretionary authority in the contracts they sign with us. Clients also give us trading authority within their accounts when they sign the custodian paperwork.

Certain client-imposed conditions may limit our discretionary authority, such as where the client prohibits transactions in specific security types or directs Banta to execute transactions through specific broker-dealers. See also ***Tailored Services and Client Imposed Restrictions*** under ***Item 4*** and ***Item 12 – Brokerage Practices***, above.

## ITEM 17 - VOTING CLIENT SECURITIES

### Proxy Voting

Banta generally votes client securities (proxies) on behalf of clients with discretionary accounts. The account holder is responsible for votes in non-managed accounts. When Banta accepts voting responsibility, we will only cast proxy votes in a manner consistent with the best interest of our clients. Absent special circumstances, which we fully describe in our Proxy Voting Policies and Procedures, we will vote all proxies within the guidelines we established and describe in our Proxy Voting Policies and Procedures, as we may amend from time-to-time. Clients cannot direct our vote in particular solicitations.

A brief summary of Banta's Proxy Voting Policies and Procedures is as follows:

Banta will generally vote for or against proposals as indicated below. However, we will exercise discretion at any time when regular voting practice is inconsistent with client interests. We may refrain from voting a proxy when it is in the best interest of the client (e.g., if we determine that the cost of voting the proxy exceeds the benefit to the client).

### *Favorable Voting*

We will vote in favor of the following:

- Routine business decisions.
- Reverse anti-takeover amendments.
- Auditors.
- Directors (however, if we are voting against a management proposal, then the vote may be withheld for Directors).
  - Yes votes on director nominees will be made so that the following standards are met:

- At least 2/3 of the board are outside directors,
- Each outside director is truly independent, i.e. has not business dealings or relations with the company,
- No insiders are on the audit, compensation, governance or nominating committees, and
- Votes/seats held by insiders are commensurate with shareholdings, e.g. on a seven-person board where insiders hold two seats and therefore hold 28.6% of votes, insiders hold at least 28.6% of shares.
- Indemnification of Directors.
- Elimination or limitation of Director's liability.
- Stronger corporate governance measures.

### *Voting Against*

We will vote against the following:

- Reincorporation to facilitate takeover defense.
- Issue of new class of common stock with unequal voting rights.
- Adoption of fair price amendments.
- Establishment of a classified Board of Directors.
- Elimination of cumulative voting.
- Establishing or increasing preferred stock.
- Other anti-takeover amendments.
- Weaker corporate governance measures.

### *Neutral Voting Issues*

We will evaluate the following on a case-by-case basis:

- Increase in authorized common stock.
- Establish or increase stock option plan (company must present argument for option plans containing over ten percent of the company's outstanding shares).
- Reorganization and merger agreements.
  - Vote on a case-by-case basis on mergers and corporate restructurings based on such considerations as pricing, strategic rational, and the negotiation process.
- Dissident proxy battle.
- Other employee compensation plans.
  - Vote on a case-by-case basis with respect to compensation plans, considering salaries of similar-sized public companies in similar industries and whether increases are in line with company performance.
  - Vote on a case-by-case basis on proposals for bonuses and cash incentives. Vote FOR proposals with long vesting periods, incentives based on return on assets or capital rather than equity, and full disclosure of compensation structure.
  - Vote on a case-by-case basis on stock option plans. Vote FOR plans where:
    - The potential voting power dilution is ten percent or less,
    - The company treats option exercise as a compensation expense,
    - The option strike price is at or above the stock's price at the time of grant,
    - The vesting period is greater than three years,
    - The option exercise is funded with shares repurchased on the open market.

- Proposals not specified above.

It is the policy of Banta to identify any potential conflicts of interest prior to the voting of any proxies. In the unlikely event of a potential conflict of interest, Banta will provide the affected client(s) with sufficient information regarding the matter before the shareholders and the nature of Banta's conflict of interest to allow the client to make an informed decision to consent to or direct our vote.

At any time, clients may contact us to request information about how we voted your proxies for your securities or to get a copy of our Proxy Voting Policies and Procedures.

### *Class Actions*

Banta does not instruct or give advice to clients on whether or not to participate as a member of class action lawsuits and will not automatically file claims on the client's behalf. However, if a client notifies us that they wish to participate in a class action, we will provide the client with, to the best of our ability, any transaction information pertaining to the client's account needed for the client to file a proof of claim in a class action. (This applies to accounts managed since June 2007 with Schwab as the custodian)

## **ITEM 18 - FINANCIAL INFORMATION**

Registered investment advisers are required in this item to provide clients with certain financial information or disclosures about the firm's financial condition. Banta does not require the prepayment of more than \$1,200 in fees per client, six months or more in advance, and does not foresee any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients.

# **Form ADV, Part 2B Brochure Supplement**

**Mark Banta**  
**Michael Banta**  
**Stephen Banta**

**Banta Asset Management, LP**

517 30th Street  
Newport Beach, CA 92663  
(949) 673-9944

**March 16, 2021**

This brochure supplement provides information about Mark, Michael, and Stephen Banta that supplements the Banta Asset Management, LP brochure. You should have already received a copy of that brochure. Please contact us at the number on the front page of this brochure if you did not receive our brochure or if you have any questions about the contents of this supplement. Additional information about Mark, Michael, and Stephen Banta is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Mark Banta**

### **ITEM 2 - EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE**

**Mark Banta**, Partner, b. 1965

*Education:*

- BA - Psychology, University of Redlands, 1989
- BA - Business, University of Redlands, 1989

*Business Background:*

- Banta Asset Management, LP, Partner, 06/2004 to present
- Wachovia Securities Financial Network, LLC, Registered Representative, 06/2004 to 04/2007
- Smith Barney Inc., Registered Representative, 05/1993 to 06/2004

### **ITEM 3 - DISCIPLINARY INFORMATION**

Mark Banta has no disciplinary history to disclose.

### **ITEM 4 - OTHER BUSINESS ACTIVITIES**

In addition to Mark Banta's business of providing investment advice through Banta, he also serves as trustee for various clients and under varied circumstances. The services he performs as trustee may include managing trust assets, dispensing funds as requested or required, and other duties pursuant to the terms of each unique agreement.

Mark Banta is also licensed as an insurance agent and may offer health and life health insurance products (CA License # 0B28338). Mark Banta would receive commissions on the sale of insurance products. In all cases, he will fully disclose any insurance commissions to the client.

### **ITEM 5 - ADDITIONAL COMPENSATION**

In addition to Mark Banta's compensation from his regular salary and ownership of Banta, he also receives compensation for service as trustee for various clients and under varied circumstances and would receive commissions from the sale of insurance products.

### **ITEM 6 - SUPERVISION**

Stephen Banta, Partner and Chief Compliance Officer, is responsible for supervising Mark Banta's activities. Stephen Banta monitors the advice provided by Mark Banta for consistency with client objectives and Banta's policies. In addition, Stephen Banta reviews reports prepared by Mark Banta before we send them to clients. Stephen Banta can be reached by calling (949) 673-9944.



## **Michael Banta**

### **ITEM 2 - EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE**

**Michael Banta**, Partner, b. 1969

*Education:*

- BA - Psychology, University of Redlands, 1992

*Business Background:*

- Banta Asset Management, LP, Partner, 06/2004 to present
- Wachovia Securities Financial Network, LLC, Registered Representative, 06/2004 to 04/2007
- Smith Barney Inc., Registered Representative, 08/1993 to 06/2004

### **ITEM 3 - DISCIPLINARY INFORMATION**

Michael Banta has no disciplinary history to disclose.

### **ITEM 4 - OTHER BUSINESS ACTIVITIES**

Michael Banta's only business is providing investment advice through Banta.

### **ITEM 5 - ADDITIONAL COMPENSATION**

Michael Banta's only compensation comes from his regular salary and ownership of Banta.

### **ITEM 6 - SUPERVISION**

Stephen Banta, Partner and Chief Compliance Officer, is responsible for supervising Michael Banta's activities. Stephen Banta monitors the advice provided by Michael Banta for consistency with client objectives and Banta's policies. In addition, Stephen Banta reviews reports prepared by Michael Banta before we send them to clients. Stephen Banta can be reached by calling (949) 673-9944.

## **Stephen Banta**

### **ITEM 2 - EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE**

**Stephen Banta**, Partner, b. 1971

*Education:*

- BA - Communications, University of Southern California, 1993

*Business Background:*

- Banta Asset Management, LP, Partner, 06/2004 to present
- Wachovia Securities Financial Network, LLC, Registered Representative, 06/2004 to 04/2007
- Smith Barney Inc., Registered Representative, 07/1994 to 06/2004

### **ITEM 3 - DISCIPLINARY INFORMATION**

Stephen Banta has no disciplinary history to disclose.

### **ITEM 4 - OTHER BUSINESS ACTIVITIES**

Stephen Banta's only business is providing investment advice through Banta.

### **ITEM 5 - ADDITIONAL COMPENSATION**

Stephen Banta's only compensation comes from his regular salary and ownership of Banta.

### **ITEM 6 - SUPERVISION**

Stephen Banta, Partner and Chief Compliance Officer, is responsible for supervising all employees. He can be reached by calling (949) 673-9944.

## FACTS

### WHAT DOES BANTA ASSET MANAGEMENT LP ("BANTA") DO WITH YOUR PERSONAL INFORMATION?

#### Why?

Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.

#### What?

The types of personal information we collect and share depend on the product or service you have with us. This information can include:

- Social Security number and income
- account balances and transaction history
- assets and risk tolerance

When you are *no longer* our customer, we continue to share your information as described in this notice.

#### How?

All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons Banta chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does Banta share?	Can you limit this sharing?
<b>For our everyday business purposes -</b> as permitted by law	YES	NO
<b>For our marketing purposes -</b> to offer our products and services to you	NO	We Don't Share
<b>For joint marketing with other financial companies</b>	NO	We Don't Share
<b>For our affiliates' everyday business purposes -</b> information about your transactions and experiences	NO	We Don't Share
<b>For our affiliates' everyday business purposes -</b> information about your creditworthiness	NO	We Don't Share
<b>For nonaffiliates to market to you</b>	NO	We Don't Share

#### Questions?

Call 1-800-513-5899 or go to [www.bantaassetmanagement.com](http://www.bantaassetmanagement.com)

## WHO WE ARE

Who is providing this notice?

**Banta Asset Management LP (“Banta”)**

## WHAT WE DO

**How does Banta protect my personal information?**

To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.

**How does Banta collect my personal information?**

We collect your personal information, for example, when you

- seek advice about your investments
- enter into an investment advisory contract
- tell us about your investment or retirement portfolio
- tell us about your investment or retirement earnings
- give us your contact information

We also collect your personal information from other companies.

**Why can't I limit all sharing?**

Federal law gives you the right to limit only:

- sharing for affiliates' everyday business purposes - information about your creditworthiness
- affiliates from using your information to market to you
- sharing for nonaffiliates to market to you

State laws and individual companies may give you additional rights to limit sharing.

## DEFINITIONS

**Affiliates**

Companies related by common ownership or control. They can be financial and nonfinancial companies.

- *Banta has no affiliates.*

**Nonaffiliates**

Companies not related by common ownership or control. They can be financial and non-financial companies.

- *Banta does not share with nonaffiliates so they can market to you.*

**Joint Marketing**

A formal agreement between nonaffiliated financial companies that together market financial products or services to you.

- *Banta doesn't jointly market.*