

Item 1: Cover Page**Form ADV Part 2A: Firm Brochure****Northwest Financial Advisors LLC**

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[www.nwflc.com](http://www.nwflc.com)**March 2021**

This brochure provides information about the qualifications and business practices of Northwest Financial Advisors LLC ("NWFA"). You should review this Brochure in conjunction with our separate brochure supplement ("Supplement"). The Supplement has been prepared for the purpose of providing information about the qualifications and background of the supervised person(s) working with you on our behalf or who may otherwise participate in the advisory services provided to you. Throughout this brochure the words "we", "us" and "our" refer to NWFA. For more information on the disclosure requirements required for Part 2A, see the "General Instructions for Part 2 of Form ADV" by visiting [www.sec.gov/rules/final/2010/ja-3060.pdf](http://www.sec.gov/rules/final/2010/ja-3060.pdf). If you have any questions about the contents of this brochure, please contact our Chief Compliance Officer, Nicole Davis at 703-810- 1072 or email [ndavis@NWFLLC.com](mailto:ndavis@NWFLLC.com). Additional information about us is also available on the SEC's website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching CRD #166769.

We are registered as an investment adviser with the United States Securities and Exchange Commission (the "SEC") under the Investment Advisers Act of 1940 (the "Advisers Act"). Registration as an investment adviser with the SEC does not imply a certain level of skill or training. In addition, the information in this brochure has not been approved or verified by the SEC or by any state securities authority.

## Item 2: Material Changes

Since the last annual update to the Form ADV Part 2 in March 2020, NWFA has had no material changes.

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## Item 4: Advisory Business

NWFA was established in 2013 and is wholly owned by NW Capital Management LLC, which is a wholly owned subsidiary of Northwest Federal Credit Union. As of December 31, 2020, our firm's Assets Under Management totaled approximately \$1,410,687,746. NWFA managed \$1,409,644,682 on a discretionary basis and \$1,043,064 on a non-discretionary basis.

The focus of our business is helping clients plan and manage their investments. This typically involves working with our clients to arrive at a target allocation of their financial assets amongst different asset classes, and then implementing that allocation within the determined advisory program account. Clients are assigned to an investment adviser representative ("IAR") and each IAR considers the client's time horizon, risk tolerance, cash flow needs and other personal preferences when designing an investment portfolio. IARs design more conservative investment allocations for clients who are more risk adverse or more aggressive investment allocations for clients that desire a more growth-oriented portfolio. IARs analyze existing holdings and make recommendations for purchases and sales based on market conditions so as to maximize the probability of achieving the client's goals and objectives while minimizing risks and expenses. Clients may impose restrictions on investing in certain securities or types of securities within their portfolio. NWFA will refer clients to an accountant, attorney, trust company or other specialist, as necessary for non-advisory related services.

NWFA generally provides advisory services through certain programs custodied and/or sponsored by LPL Financial LLC ("LPL"), a qualified custodian, registered investment adviser and broker-dealer. LPL is independently owned and operated and not affiliated with us or Northwest Federal Credit Union. NWFA offers client both wrap- fee programs and non-wrap fee programs. A wrap fee program is an advisory program under which a specified fee not based directly upon transactions in a client's account is charged for the execution of client transactions and investment advisory services (which advisory services may include portfolio management or may include advice concerning the selection of other investment advisers). From a management perspective, there is not a fundamental difference in the way we manage wrap and non-wrap accounts. The only significant difference is the way in which transaction services are paid.

Below is a description of the advisory programs offered by NWFA.

### **Strategic Wealth Management Program (SWM) & Strategic Wealth Management Program II (SWM II)**

SWM and SWM II offer clients an asset management account that allows the IAR to direct and manage specified client assets. The difference between SWM and SWM II is the type of fee charged. In the SWM program clients pay an asset-based management fee and separate transaction costs. In the SWM II program, clients pay a single wrap fee for advisory services and execution of transactions. Effective January 1, 2019, NWFA discontinued the SWM II Wrap Program for new clients.

NWFA employs a Portfolio Analyst who is responsible for the review, analysis and due diligence of various investment vehicles. The Portfolio Analyst presents information on these investment vehicles to the NWFA' Investment Committee. The Investment Committee has created different models to be used by the IARs depending on the client's investment objective. The Investment Committee meets monthly, or more frequently as needed, to review the models and determine what, if any, changes may be needed based on market conditions, performance, etc. The IARs can choose to use these models within the SWM and SWM II program; however, they still have the flexibility to deviate from the model to suit the individual client's needs.

Below is a brief description of some of the LPL advisory programs available to us. The fees we charge for these programs are included in the overall fee charged by LPL. For more information regarding the LPL programs, including more information on the advisory services and fees that apply, the types of investments available in the programs and the potential conflicts of interest presented by the programs please see the program account packet, which includes LPL's Form ADV disclosure brochure for the program, the account application forms, and the account agreement.

### **Optimum Market Portfolios Program (OMP)**

OMP offers clients the ability to participate in a professionally managed asset allocation program using Optimum Funds shares. Under OMP, client will authorize LPL on a discretionary basis to purchase and sell Optimum Funds pursuant to investment objectives chosen by the client. NWFA will obtain the necessary financial data from the client, assist the client in determining the suitability of OMP and assist the client in setting an appropriate investment objective. We will have discretion to select a mutual fund asset allocation portfolio designed by LPL consistent with the client's investment objective. LPL will have discretion to purchase and sell Optimum Funds pursuant to the portfolio selected for the client. LPL will also have authority to rebalance the account.

### **Model Wealth Portfolios Program (MWP)**

MWP offers clients a professionally managed asset allocation program. NWFA will obtain the necessary financial data from the client, assist the client in determining the suitability of the MWP

program and assist the client in setting an appropriate investment objective. We will initiate the steps necessary to open an MWP account and have discretion to select a model portfolio of funds designed by LPL's Research Department consistent with the client's stated investment objective. LPL's Research Department or third-party portfolio strategist is responsible for selecting the mutual funds or ETFs within a model portfolio and for making changes to the mutual funds or ETFs selected. The client will authorize LPL to act on a discretionary basis to purchase and sell mutual funds and ETFs in the account and to liquidate previously purchased securities. The client will also authorize LPL to effect rebalancing for MWP accounts.

### **Manager Access Select Program**

Manager Access Select offers clients the ability to participate in the Separately Managed Account Platform (the "SMA Platform") or the Model Portfolio Platform (the "MP Platform"). In the SMA Platform, NWFA will assist client in identifying a third-party portfolio manager (SMA Portfolio Manager) from a list of SMA Portfolio Managers made available by LPL, and the SMA Portfolio Manager manages client's assets on a discretionary basis. NWFA will provide initial and ongoing assistance regarding the SMA Portfolio Manager selection process. In the MP Platform, clients authorize LPL to direct the investment and reinvestment of the assets in their accounts, in accordance with the selected model portfolio provided by LPL's Research Department or a third-party investment advisor.

### **Guided Wealth Portfolios (GWP)**

GWP offers clients the ability to participate in a centrally managed, algorithm-based investment program, which is made available to users and clients through a web-based, interactive account management portal ("Investor Portal"). Investment recommendations to buy and sell exchange-traded funds and open-end mutual funds are generated through proprietary, automated, computer algorithms (collectively, the "Algorithm") of FutureAdvisor, Inc. ("FutureAdvisor"), based upon model portfolios constructed by LPL and selected for the account as described below (such model portfolio selected for the account, the "Model Portfolio"). Communications concerning GWP are intended to occur primarily through electronic means (including but not limited to, through email communications or through the Investor Portal), although NWFA will be available to discuss investment strategies, objectives or the account in general in person or via telephone.

A preview of the Program (the "Educational Tool") is provided for a period of up to forty-five (45) days to help users determine whether they would like to become advisory clients and receive ongoing financial advice from LPL, FutureAdvisor and NWFA by enrolling in the advisory service (the "Managed Service"). The Educational Tool and Managed Service are described in more detail in the GWP Program Brochure. Users of the Educational Tool are not considered to be advisory clients of LPL, FutureAdvisor or NWFA, do not enter into an advisory agreement with LPL, FutureAdvisor or NWFA, do not receive ongoing investment advice or supervisions of their assets, and do not receive any trading services.

Clients participating in the Managed Service complete an account application and enter into an account agreement with LPL, NWFA and FutureAdvisor. As part of the account opening process, clients are responsible for providing complete and accurate information regarding, among other things, their age, risk tolerance, and investment horizon. Based on the information provided, LPL, NWFA and FutureAdvisor determine the suitability of the Program for clients and an appropriate Investment Objective and Model Portfolio, which must be approved by NWFA and the client. The Model Portfolios have been designed and are maintained by LPL or, in the future, a third-party investment strategist (as applicable, the "Portfolio Strategist") and shall include a list of securities holdings, relative weightings and a list of potential replacement securities for tax harvesting purposes. FutureAdvisor, NWFA and clients cannot access, change or customize the Model Portfolios. Only one Model Portfolio is permitted per account. As a client approaches the Retirement Age, the Algorithm will automatically

adjust the client's asset allocation. Any change to the Investment Objective directed by a client due to changes in the Client's risk tolerance and/or Retirement Age will require written approval from the client and NWFA before implementation.

### **Other Account Programs**

NWFA may recommend that certain of our clients allocate investment assets among various mutual fund asset allocation models, underlying mutual funds, and/or independent investment manager programs offered through other broker dealers, including SEI Investment Company ("SEI"), or programs sponsored by LPL. Under such arrangements, clients authorize the use of such programs by completing account applications with the broker dealer. The IAR obtains the necessary financial data from the client, assists the client in determining the suitability of the advisory services and assists the client in setting the appropriate investment objective. The IAR provides ongoing investment advice and management that is tailored to the individual needs of the client based on the investment objective chosen by the client. Depending on the specific engagement, the types of securities that the IAR may purchase and sell include mutual funds, ETFs, equities, fixed income securities, and/or variable annuity subaccounts. Clients generally may impose reasonable restrictions on investing in certain securities or groups of securities. The assets managed as part of a customized engagement typically are held at the broker dealer selected by the client.

### **Financial Planning**

NWFA typically consults with our clients regarding a broad range of financial issues, such as insurance, estate planning, retirement planning, real estate purchases, charitable giving, and trust services. For clients who require financial planning services, the IAR will collect financial and demographic information from the client. The IAR will prepare and present a financial plan and will be available to help the client implement the recommendations. We will charge a fee for providing financial planning services that is based on the time required to prepare the plan. An estimate will be provided to the client before any services are rendered. The client shall pay us within 30 days from the date of our invoice or upon presentation of the written financial plan. We reserve the right to waive all or any portion of the financial planning fee with respect to any client.

### **Types of Retirement Plan Services**

NWFA offers (1) Discretionary Investment Management Services, (2) Non-Discretionary Investment Advisory Services and/or (3) Retirement Plan Consulting Services to employer-sponsored retirement plans and their participants. Depending on the type of the Plan and the specific arrangement with the Sponsor, we may provide one or more of these services. Prior to being engaged by the Sponsor, we will provide a copy of this Form ADV Part 2 along with a copy of our Privacy Policy and Retirement Plan Services Agreement ("Agreement") that contains the information required under Sec. 408(b)(2) of the Employee Retirement Income Security Act ("ERISA") as applicable.

The Agreement authorizes NWFA and our IARs to deliver one or more of the following services:

#### **Discretionary Investment Management Services**

These services are designed to allow the Plan fiduciary to delegate responsibility for managing, acquiring and disposing of Plan assets that meet the requirements of the Employee Retirement Income Security Act of 1974 ("ERISA"). We will perform these investment management services through our IARs and charge fees as described in this Form ADV and the Agreement. If the Plan is subject to ERISA, we will perform these services as an "investment manager" as defined under ERISA Section 3(38) and as a "fiduciary" to the Plan as defined under ERISA Section 3(21). Specifically, the Sponsor may determine that we perform the following services:

**SELECTION, MONITORING & REPLACEMENT OF DESIGNATED INVESTMENT ALTERNATIVES ("DIAs"):**

NWFA will review with Sponsor the investment objectives, risk tolerance and goals of the Plan and provide to Sponsor an IPS that contains criteria from which NWFA will select, monitor and replace the Plan's DIAs. Once approved by Sponsor, NWFA will review the investment options available to the Plan and will select the Plan's DIAs in accordance with the criteria set forth in the IPS. On a periodic basis, NWFA will monitor and evaluate the DIAs and replace any DIA(s) that no longer meet the IPS criteria.

**SELECTION, MONITORING & REPLACEMENT OF QUALIFIED DEFAULT INVESTMENT ALTERNATIVES ("QDIA(s)")**

Based upon the options available to the Plan,  
NWFA will select, monitor and replace the Plan's QDIA(s) in accordance with the IPS.

**Non-Discretionary Fiduciary Services**

These services are designed to allow the Sponsor to retain full discretionary authority or control over assets of the Plan. We will solely be making recommendations to the Sponsor. We will perform these Non-Discretionary investment advisory services through our IARs and charge fees as described in this Form ADV and the Agreement. If the Plan is covered by ERISA, we will perform these investment advisory services to the Plan as a "fiduciary" defined under ERISA Section 3(21). The Sponsor may engage us to perform one or more of the following Non-Discretionary investment advisory services:

**INVESTMENT POLICY STATEMENT ("IPS"):**

NWFA will review with Sponsor the investment objectives, risk tolerance and goals of the Plan. If the Plan does not have an IPS, NWFA will provide recommendations to Sponsor to assist with establishing an IPS. If the Plan has an existing IPS, NWFA will review it for consistency with the Plan's objectives. If the IPS does not represent the objectives of the Plan, NWFA will recommend to the Sponsor, revisions to align the IPS with the Plan's objectives.

**ADVICE REGARDING DESIGNATED INVESTMENT ALTERNATIVES ("DIAs"):**

Based on the Plan's IPS or other guidelines established by the Plan, NWFA will review the investment options available to the Plan and will make recommendations to assist Sponsor with selecting DIAs to be offered to Plan participants. Once Sponsor selects the DIAs, NWFA will, on a periodic basis and/or upon reasonable request, provide reports and information to assist Sponsor with monitoring the DIAs. If a DIA is required to be removed, NWFA will provide recommendations to assist Sponsor with replacing the DIA.

**ADVICE REGARDING QUALIFIED DEFAULT INVESTMENT ALTERNATIVE ("QDIA(s)"):**

Based on the Plan's IPS or other guidelines established by the Plan, NWFA will review the investment options available to the Plan and will make recommendations to assist Sponsor with selecting or replacing the Plan's QDIA(s).

**PARTICIPANT INVESTMENT ADVICE:**

NWFA will meet with Plan participants, upon reasonable request, to collect information necessary to identify the Plan participant's investment objectives, risk tolerance, time horizon, etc. Advisor will provide written recommendations to assist the Plan participant with creating a portfolio using the Plan's DIAs or Models, if available. The Plan participant retains sole discretion over the investment of his/her account.

<b>Retirement Plan Consulting Services</b>
Retirement Plan Consulting Services are designed to allow our IARs to assist the Sponsor in meeting his/her fiduciary duties to administer the Plan in the best interests of Plan participants and their beneficiaries. Retirement Plan Consulting Services are performed so that they would not be considered "investment advice" under ERISA. The Sponsor may elect for our IARs to assist with any of the following services:
<b>Administrative Support</b>
✓ Assist Sponsor in reviewing objectives and options available through the Plan
✓ Recommend Plan participant education and communication policies under ERISA 404(c)
✓ Deliver fiduciary training and/or education periodically or upon reasonable request
✓ Recommend procedures for responding to Plan participant requests
<b>Service Provider Support</b>
✓ Assist fiduciaries with review of Covered Service Providers ("CSP") and fee benchmarking
✓ Assist with preparation and review of Requests for Proposals and/or Information
✓ Coordinate and assist with CSP replacement and conversion
<b>Investment Monitoring Support</b>
✓ Periodic review of investment policy in the context of Plan objectives
✓ Assist the Plan committee with monitoring investment performance
✓ Educate Plan committee members, as needed, regarding replacement of DIA(s) and/or QDIA(s)
<b>Participant Services</b>
✓ Facilitate group enrollment meetings and coordinate investment education
✓ Assist Plan participants with financial wellness education, retirement planning and/or gap analysis

### **Potential Additional Retirement Services Provided Outside of the Agreement**

In providing Retirement Plan Services, NWFA and its IARs may establish a client relationship with one or more Plan participants or beneficiaries. Such client relationships develop in various ways, including, without limitation:

1. as a result of a decision by the Plan participant or beneficiary to purchase services from NWFA not involving the use of Plan assets;
2. as part of an individual or family financial plan for which any specific recommendations concerning the allocation of assets or investment recommendations relating to assets held outside of the Plan; or
3. through a rollover of an Individual Retirement Account ("IRA Rollover").

If NWFA is providing Retirement Plan Services to a plan, IARs may, when requested by a Plan participant or beneficiary, arrange to provide services to that participant or beneficiary through a separate agreement. If a Plan participant or beneficiary desires to affect an IRA Rollover from the Plan to an account advised or managed by NWFA, IAR will have a conflict of interest if his/her fees are reasonably expected to be higher than those paid to NWFA in connection with the Retirement Plan Services. IAR will disclose relevant information about the applicable fees charged by NWFA prior to opening an IRA account. Plan participants are also encouraged to consider all options presented by the Sponsor when considering distribution/rollover options; for example, (i) remain invested

under the Plan (may require a minimum balance), (ii) transfer Plan assets to a new employer-sponsored retirement plan (if applicable), (iii) transfer Plan assets to an IRA with a financial institution, or (iv) withdraw assets directly which would be subject to federal and applicable state and local taxes and possibly subject to the IRS penalty of 10% depending on age. Any decision to affect the rollover or about what to do with the rollover assets remain that of the Plan participant or beneficiary alone.

In providing these optional services, we may offer employers and employees information on other financial and retirement products or services offered by NWFA and our IARs.

### **Retirement Plan Individually Tailored Services**

When providing investment fiduciary services, we will tailor our advice or (if applicable) discretion to meet the investment policies or other written guidelines adopted by the Sponsor. When providing Participant Investment Advice, such advice will be based upon the investment objectives, risk tolerance and investment time horizon of each individual Plan participant.

## **Item 5: Fees and Compensation**

### **General**

NWFA typically receives compensation from fees based on a percentage of assets under management. You should review all fees charged by us and others to fully understand the total amount of fees to be paid by you. The advisory fee charged to the client for each advisory program is negotiable, subject to certain maximum fees described herein. Fees are negotiated between the client and the IAR.

Account fees are payable quarterly in advance. The first payment will be based on the opening market value of the account and will be pro-rated to cover the period from the date the account is opened through the end of that calendar quarter. Thereafter, the fee will be based on the account value on the last business day of the preceding calendar quarter. If client contributes funds to their account on a date other than the first day on a calendar quarter, then a prorated fee will be charged for that calendar quarter with respect to such contribution based on the number of days remaining in that calendar quarter. If a client withdraws assets on any date other than the last day of the calendar quarter then a prorated refund will be made based on the number of days left in the quarter prior to the withdrawal.

The fee structure is explained and agreed with the clients in advance before any services are rendered. Fees will generally be automatically deducted from your managed account. As part of this process, clients must understand and acknowledge the following:

- The custodian sends statements at least quarterly to the client showing all disbursements for their account, including the amount of the advisory fees paid to us;
- The client provides authorization permitting fees to be directly paid by the terms outlined in the advisory agreement; and
- The custodian calculates the advisory fees and deducts it from the client's account.

Some of the programs used by us are referred to as wrap fee programs. Typically, a wrap fee program provides a bundle of investment services, including asset allocation, portfolio management, custody of client funds and securities, execution of client transactions, and monitoring of portfolio manager performance for a single "wrap" fee, generally a percentage of assets under management. The wrap fee client is not charged brokerage commissions on a transactional basis. On the other hand, there are programs that do not charge a wrap fee. The fees may be higher under a wrap fee arrangement versus a non-wrap fee arrangement. Our firm does not manage wrap fee accounts in a different fashion than non-wrap fee accounts. All accounts are managed on an individualized basis according to the client's investment objectives, financial goals, risk tolerance, etc.

In addition to the advisory program fees outlined above, in certain programs you will also be subject to other fees and expenses charged by the custodian including account maintenance fees, custodial fees, and transaction charges. A schedule of the applicable fees and expenses will be provided with the account application. The custodian may also receive other compensation (direct or indirect) from other third parties in connection with client holdings or transactions. NWFA does not receive any portion of the custodian fees and expenses or other compensation. Clients are encouraged to carefully review all disclosures provided by the custodian in the account opening application. In addition to the program fees, clients may also incur the management fees and any other expenses of any mutual funds or other investment vehicles that we select for a client's portfolio. Since these fees and expenses are typically deducted directly from the investment vehicle, they are not necessarily obvious to shareholders but they represent a real cost to our clients.

### **SWM, SWM II, MWP, OMP and Manager Access Select**

The level of advisory fees for SWM, SWM II, MWP, OMP and Manager Access Select is set based on negotiation between the IAR and client with consideration given to the total value of client's immediate household assets invested with NWFA and IAR at the time the client relationship is established and accounts are opened. Advisory fees do not adjust over time or as household asset balances fluctuate; rather the advisory fees are set at the time of account opening. The following are the maximum annual advisory fees for accounts opened from the date of this brochure forward. In certain situations, client may pay a higher fee.

Household Assets Under Management	Maximum Annual Advisory Fees
\$0 - \$99,999	1.50%
\$100,000 - \$499,999	1.25%
\$500,000 and over	1.00%

Within the SWM and SWM II accounts, the advisory fee is shared between NWFA and its IARs. Within the MWP and OMP accounts, the advisory fee is shared among NWFA, IARs, LPL, and any third-party portfolio strategist. Within the Manager Access Select account, the advisory fee is shared among NWFA, IARs, LPL, and the SMA Portfolio Manager. For additional information regarding LPL program fees and third-party portfolio strategist fees within the MWP, OMP or Manager Access Select account, clients should refer to the LPL Form ADV disclosure brochure for the appropriate program.

### **Guided Wealth Portfolios (GWP)**

GWP Managed Service clients are charged an account fee consisting of an LPL program fee of 0.35% and an NWFA advisory fee of up to 0.85%. In the future, a strategist fee may apply. However, LPL Research currently serves as the sole portfolio strategist and does not charge a fee for its services. FutureAdvisor is compensated directly by LPL for its services, including the Algorithm and related software, through an annual sub-advisory fee (tiered based on assets under management by FutureAdvisor, at a rate ranging from 0.10% to 0.17%). As each asset tier is reached, LPL's share of

the compensation shall increase and clients will not benefit from such asset tiers.

GWP Educational Tool provides access to sample recommendations at no charge to users. However, if users decide to implement sample recommendations by executing trades, they will be charged fees, commissions, or expenses by the applicable broker or adviser, as well as underlying investment fees and expenses. Account fees are payable quarterly in advance, except that the SMS fee is paid in arrears on the frequency agreed to between client and Advisor.

### **Other Account Programs**

The maximum advisory fee for other account programs is 1% annually. Within other advisory account programs, the advisory fee is shared between NWFA, IARs and any applicable third-party advisor.

### **Financial Planning**

NWFA charges on a flat fee basis for financial planning and consulting services. The total estimated fee, as well as the ultimate fee charged, is based on the scope and complexity of our engagement with the client. Flat fees range from \$750 to \$5,000. The fee-paying arrangements will be determined on a case-by-case basis and will be detailed in the signed consulting agreement. Our firm will not require a retainer exceeding \$1,200 when services cannot be rendered within 6 months.

### **Retirement Plan Services**

Fees for the Retirement Plan Services ("Fees") are negotiable. A description of the different types of fees for Retirement Plan Services appears in the fee schedule below:

<b>Fee Type</b>	<b>Fee Range</b>
Assets Under Managements	1.25% Maximum

Depending upon the capabilities and requirements of the Plan's recordkeeper or custodian, we may collect our fees in arrears or in advance. Typically, Sponsors instruct the Plan's recordkeeper or custodian to automatically deduct our Fees from the Plan account; however, in some cases a Sponsor may request that we send invoices directly to the Sponsor or recordkeeper/custodian.

Sponsors receiving Retirement Plan Services may pay more than or less than a client might otherwise pay if purchasing the Retirement Plan Services separately or through another service provider. There are several factors that determine whether the costs would be more or less, including, but not limited to, the size of the Plan, the specific investments made by the Plan, the number of or locations of Plan participants, the Retirement Plan Services offered by another service provider, and the actual costs of Retirement Plan Services purchased elsewhere. In light of the specific Retirement Plan Services offered by NWFA, the Fees charged may be more or less than those of other similar service providers.

In determining the value of the Account for purposes of calculating any asset-based Fees, Advisor will rely upon the valuation of assets provided by Sponsor or the Plan's custodian or recordkeeper without independent verification. If, however, there are circumstances which, in the Advisor's judgment, render the custodian's valuation inappropriate in which case Advisor will value securities listed on any national securities exchange at the closing price on the principal exchange on which they are traded and will value any other securities in a manner determined in good faith by Advisor to reflect fair market value. In all events, any such valuation will not be any guarantee of the market value of any of the assets in the Plan.

Unless we agree otherwise, no adjustments or refunds will be made in respect of any period for (i) appreciation or depreciation in the value of the Plan account during that period or (ii) any partial

withdrawal of assets from the account during that period. If the Agreement is terminated by us or by Sponsor, we will refund certain Fees to Sponsor to the extent provided in Section 8 of the Agreement. Unless we agree otherwise, all Fees shall be based on the total value of the assets in the account without regard to any debit balance.

All Fees paid to NWFA for Retirement Plan Services are separate and distinct from the fees and expenses charged by mutual funds, variable annuities and exchange traded funds to their shareholders. These fees and expenses are described in each investment's prospectus. These fees will generally include a management fee, other expenses, and possible distribution fees. If the investment also imposes sales charges, a client may pay an initial or deferred sales charge. The Retirement Plan Services provided by NWFA may, among other things, assist the client in determining which investments are most appropriate to each client's financial condition and objectives and to provide other administrative assistance as selected by the client. Accordingly, the client should review both the fees charged by the funds, the fund manager, the Plan's other service providers and the fees charged by NWFA to fully understand the total amount of fees to be paid by the client and to evaluate the Retirement Plan Services being provided.

While not necessarily related to the Retirement Plan Services, various vendors, product providers, distributors and others may provide non-monetary compensation by paying some expenses related to training and education, including travel expenses, and attaining professional designations. We might receive payments to subsidize our own training programs. Certain vendors may invite us to participate in conferences, on-line training or provide publications that may further IARs and employees' skills and knowledge. Some may occasionally provide us with gifts, meals and entertainment of reasonable value consistent with industry rules and regulations.

If applicable, and in the event the payments are received in connection with or as a result of the Retirement Plan Services, we will disclose such fees to Sponsors in accordance with ERISA and Department of Labor regulations.

No increase in the Fees will be effective without prior written notice.

### **Termination & Refunds**

In the event a client wants to terminate our services, we will refund the unearned portion of our advisory fee. The client must provide notice of termination as outlined in the advisory agreement.

Upon receipt of such notice, we will proceed to close out the client's account and process a pro-rata refund of unearned advisory fees.

### **Commissionable Securities Sales**

All of our IARs are licensed with LPL and can receive a commission for the sale of securities. However, we and our IARs will not accept commissions for the sale of securities when providing investment advisory services to advisory clients. For non-advisory accounts, our IARs will accept compensation for the sale of securities or other investment products, including distribution or service ("trail") fees from the sale of investment products offered by LPL. The receipt of compensation from the sale of securities or insurance products presents a conflict of interest since IARs have an incentive to effect securities transactions or recommend insurance products for the purpose of generating commissions rather than solely based on a client's needs. However, you are under no obligation, contractually or otherwise, to purchase securities or insurance products through our IARs.

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

Performance based fees are fees based on a share of capital gains on or capital appreciation of the assets of a client. An adviser charging performance fees to some accounts faces a variety of conflicts because the adviser can potentially receive greater fees from its accounts having a performance-based compensation structure than from those accounts it charges a fee unrelated to performance (e.g., an asset-based fee). As a result, the adviser may have an incentive to direct the best investment ideas to, or to allocate or sequence trades in favor of, the account that pays a performance fee. We do not charge any performance-based fees.

## **Item 7: Types of Clients & Account Requirements**

NWFA primarily provide customized investment supervisory services to individuals, trusts, estates, or charitable organizations, pension and profit-sharing plans, and corporations or business entities. We do not impose a minimum account size to become an advisory client; however certain programs offered by LPL and other broker dealers may require a minimum amount of investable assets to open and maintain an account:

- A minimum initial account value of \$25,000 is suggested for SWM and SWM II. In certain instances, NWFA will permit a lower minimum account size.
- A minimum account value of \$10,000 is required for OMP. In certain instances, LPL will permit a lower minimum account size.
- MWP requires a minimum asset value for a program account to be managed. The minimums vary depending on the portfolio(s) selected and the account's allocation amongst portfolios. The lowest minimum for a portfolio is \$25,000. In certain instances, a lower minimum for a portfolio is permitted.
- A minimum account value of \$50,000 is required for Manager Access Select, however, in certain instances, the minimum account size may be lower or higher.
- A minimum account value of \$5,000 is required to enroll in the GWP Managed Service.
- Our Retirement Plan Services are available to clients that are sponsors or other fiduciaries to plans, including 401(k), 457(b), 403(b) and 401(a) plans. Plans include participant-directed defined contribution plans and defined benefit plans. Plans may or may not be subject to ERISA. We do not require a minimum asset amount for Retirement Plan Consulting Services.

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

NWFA use a long-term investment philosophy and provide individual advice based on each client's risk tolerance. We review our client's long-term and short-term financial needs and objectives, and risk tolerance or risk-aversion. Investment recommendations are based on information provided to us by our clients, financial records, responses to our questionnaires or personal interviews. We design each client's investment strategy based on a thorough evaluation of the individual goals and objectives of each client. After analyzing a client's financial situation and understanding their individual investment objectives, we will recommend investment programs sponsored by third party financial institutions including LPL. Following client approval, we will implement each aspect of the strategy, as appropriate. Account supervision is guided by the stated objectives of the client, and all managed accounts will be maintained with an independent custodian broker-dealer.

Our investment strategy involves recommending an asset allocation mix to our clients based on their individual needs by selecting an appropriate mix of mutual funds, exchange traded funds, equities, fixed income or Portfolio Managers to manage your assets. We monitor the asset allocation mix and performance of the investments, and make periodic adjustments to the account, as necessary to meet client objectives. In the event we recommend Portfolio Managers, we will monitor manager

performance and various investment markets to determine if the allocation among investment options is appropriate or if changes to those options are necessary due to changes in the market or client's needs.

The description provided above is a brief overview of the investment category and is not intended to be complete. Investing in securities is inherently risky. An investment in individual securities or in a portfolio of securities could lose money. We cannot give any guarantee that we will achieve your investment objectives or that any client will receive a return of its investment.

The description below is an overview of the risks entailed in our investment strategy and is not intended to be complete. All investing involves a risk of loss and the investment strategy offered by us could lose money over short or long periods. Performance could be hurt by a number of different market risks including but not limited to:

**Stock Market Risk.** Stock market risk, which is the chance that stock prices overall will decline. An investment in individual securities or in a portfolio of securities could lose money. We cannot give any guarantee that we will achieve the client's investment objectives or that any client will receive a return of its investment. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.

**Alternative Strategy Mutual Funds.** Certain mutual funds invest primarily in alternative investments and/or strategies. Investing in alternative investments and/or strategies involves special risks, such as risks associated with commodities, real estate, leverage, selling securities short, the use of derivatives, potential adverse market forces, regulatory changes and potential illiquidity. There are special risks associated with mutual funds that invest principally in real estate securities, such as sensitivity to changes in real estate values and interest rates and price volatility because of the fund's concentration in the real estate industry.

**Exchange-Traded Funds (ETFs).** ETFs are typically investment companies that are legally classified as open-end mutual funds or UITs. However, they differ from traditional mutual funds, in particular, in that ETF shares are listed on a securities exchange. Shares can be bought and sold throughout the trading day like shares of other publicly traded companies. ETF shares may trade at a discount or premium to their net asset value. This difference between the bid price and the ask price is often referred to as the "spread." The spread varies over time based on the ETF's trading volume and market liquidity and is generally lower if the ETF has a lot of trading volume and market liquidity and higher if the ETF has little trading volume and market liquidity. Although many ETFs are registered as an investment company under the Investment Company Act of 1940 like traditional mutual funds, some ETFs, in particular those that invest in commodities are not registered as an investment company. **Leveraged and Inverse ETFs, ETNs and Mutual Funds.** Leveraged ETFs, ETNs and mutual funds, sometimes labeled "ultra" or "2x" for example, are designed to provide a multiple of the underlying index's return, typically on a daily basis. Inverse products are designed to provide the opposite of the return of the underlying index, typically on a daily basis. These products are different from and can be riskier than traditional ETFs, ETNs and mutual funds. Although these products are designed to provide returns that generally correspond to the underlying index, they may not be able to exactly replicate the performance of the index because of fund expenses and other factors. This is referred to as tracking error. Continual re-setting of returns within the product may add to the underlying costs and increase the tracking error. As a result, this may prevent these products from achieving their investment objective. In addition, compounding of the returns can produce a divergence from the underlying index over time, in particular for leveraged products. In highly volatile markets with large positive and negative swings, return distortions are magnified over time. Because of these distortions, these products should be actively monitored, as frequently as daily, and may not be appropriate as an

intermediate or long-term holding. To accomplish their objectives, these products use a range of strategies, including swaps, futures contracts and other derivatives. These products may not be diversified and can be based on commodities or currencies. These products may have higher expense ratios and be less tax-efficient than more traditional ETFs, ETNs and mutual funds. LPL imposes limitations on accounts purchasing leveraged or inverse ETFs, ETNs, and mutual funds.

## **Item 9: Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's or investor's evaluation of the adviser or the integrity of the adviser's management. Neither we nor any of our officers, directors, or other management persons, have been involved in any legal or disciplinary events in the past 10 years that would require disclosure in response to this Item.

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

Northwest Financial Advisors is a separately capitalized company that is indirectly owned by Northwest Federal Credit Union (the "Credit Union"). We will have relationships and clients may utilize the services of certain entities affiliated with the Credit Union. The particular services involved will depend on the types of services offered by the affiliated company. Affiliated companies will be engaged on an arms-length basis for services it provides our client. Services provided by affiliated companies may include, without limitation, banking, tax advice, insurance advice, estate planning, retirement planning, real estate purchases, and other specialized advisory services.

### Broker Dealer

Northwest Financial Group LLC ("NWFG") is a member of the Financial Industry Regulatory Authority (FINRA). NWFG receives commission-based compensation from LPL for the sale of investment products. The compensation is earned by IARs in their capacity as registered representatives of LPL. If a client desires to purchase investment products offered by LPL through an IAR acting as a registered representative of LPL then LPL and NWFG will receive brokerage-related compensation for those services, such as commissions and/or trail fees. Information regarding the amount of brokerage compensation will be provided to the client before the transaction is completed. Clients are advised that investment products provided through LPL are available from other financial institutions.

LPL is a broker-dealer registered with FINRA and the SEC. As a broker-dealer, LPL transacts business in various types of securities, including mutual funds, stocks, bonds, commodities, options, private and public partnerships, variable annuities, REITs and other investment products. Our IARs are licensed as registered representatives of LPL and will receive commissions for selling investment products to clients. A conflict of interest exists since an IAR has an incentive to recommend products that pay commissions. IARs do not receive commissions when providing investment advisory services through us.

### Credit Union

Northwest Federal Credit Union offers traditional credit union services and products to its members, including checking and savings accounts and consumer loans. Employees of the Credit Union may refer banking customers who are in need of investment advisory services to us.

### Insurance Company

NW Insurance Agency LLC ("NWIA") is a licensed insurance agency offering insurance products. IARs may be licensed as insurance agents of NWIA and receive commission when selling insurance

products. The receipt of commissions on the sale of insurance products creates an incentive for the IAR. Whether or not to use the insurance services from or through our affiliated Insurance Agency is at the discretion of the client. To the extent that advisory clients use the insurance services from or through our IARs, commissions will be paid to them as an appropriately licensed agent. Clients are advised that similar insurance services are available elsewhere.

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

### Code of Ethics

NWFA have adopted a written Code of Ethics (the “Code”) predicated on the principal that we owe a fiduciary duty to our clients. The Code establishes guidelines for professional conduct and personal trading procedures, including certain pre-clearance and reporting obligations.

We require pre-clearance before purchasing an IPO or limited offering (i.e., private placement); require periodic reporting of personal securities transactions and all holdings; and require prompt internal reporting of Code violations to our Chief Compliance Officer. A copy of our Code is available upon request by contacting our Chief Compliance Officer at 703-810-1072.

Our employees may purchase, sell, or hold the same securities that are recommended to clients. Trades by employees are executed in a manner consistent with our fiduciary obligations to our clients. Employee trades must not be timed to precede orders placed for any client, nor should trading activity be so excessive as to conflict with the employee’s ability to fulfill daily job responsibilities. All employees are required to sign a statement acknowledging their understanding of the rules, which are designed to prevent potential compliance-related concerns and mitigate potential conflicts, on an annual basis. The Chief Compliance Officer monitors employee trading, relative to client trading, to ensure that employees do not engage in improper transactions.

## **Item 12: Brokerage Practices**

### *Recommendation of LPL Financial*

NWFA will generally recommend that clients establish a brokerage account with LPL Financial to maintain custody of clients’ assets and to effect trades for their accounts. LPL Financial provides brokerage and custodial services to independent investment advisory firms, including NWFA. For NWFA’s accounts custodied at LPL Financial, LPL Financial generally is compensated by clients through commissions, trails, or other transaction-based fees for trades that are executed through LPL Financial or that settle into LPL Financial accounts. For IRA accounts, LPL Financial generally charges account maintenance fees. In addition, LPL Financial also charges clients miscellaneous fees and charges, such as account transfer fees. NWFA does not have discretionary authority to select the broker/dealer and custodian used for transactions, or to set transaction charges.

While LPL Financial does not participate in, or influence the formulation of, the investment advice NWFA provides, certain supervised persons of NWFA are Dually Registered Persons. Dually Registered Persons are restricted by certain FINRA rules and policies from maintaining client accounts at another custodian or executing client transactions in such client accounts through any broker-dealer or custodian that is not approved by LPL Financial. As a result, the use of other trading platforms must be approved not only by NWFA, but also by LPL Financial.

Clients should also be aware that for accounts where LPL Financial serves as the custodian, NWFA is

limited to offering services and investment vehicles that are approved by LPL Financial, and may be prohibited from offering services and investment vehicles that may be available through other broker-dealers and custodians, some of which may be more suitable for a client's portfolio than the services and investment vehicles offered through LPL Financial.

Clients should understand that not all investment advisers require that clients custody their accounts and trade through specific broker-dealers.

Clients should also understand that LPL Financial is responsible under FINRA rules for supervising certain business activities of NWFA and its Dually Registered Persons that are conducted through broker-dealers and custodians other than LPL Financial. LPL Financial charges a fee for its oversight of activities conducted through these other broker-dealers and custodians. This arrangement presents a conflict of interest because NWFA has a financial incentive to recommend that you maintain your account with LPL Financial rather than with another broker-dealer or custodian to avoid incurring the oversight fee.

When appropriate and based upon the needs of each sponsored-plan, we may recommend that a plan use a certain retirement plan platform or service provider (such as a recordkeeper, administrator or broker-dealer). That recommendation may include using our custodian, LPL Financial, to serve as broker-dealer in connection with the sale of securities or insurance products to the Plan.

### ***Benefits Received by NWFA Personnel***

LPL Financial makes available to NWFA various products and services designed to assist NWFA in managing and administering client accounts. Many of these products and services may be used to service all or a substantial number of NWFA's accounts, including accounts not held with LPL Financial. These include software and other technology that provide access to client account data (such as trade confirmation and account statements); facilitate trade execution (and aggregation and allocation of trade orders for multiple client accounts); provide research, pricing information and other market data; facilitate payment of NWFA's fees from its clients' accounts; and assist with back-office functions; recordkeeping and client reporting.

LPL Financial also makes available to NWFA other services intended to help NWFA manage and further develop its business. Some of these services assist NWFA to better monitor and service program accounts maintained at LPL Financial, however, many of these services benefit only NWFA, for example, services that assist NWFA in growing its business. These support services and/or products may be provided without cost, at a discount, and/or at a negotiated rate, and include practice management-related publications; consulting services; attendance at conferences and seminars, meetings, and other educational and/or social events; marketing support; and other products and services used by NWFA in furtherance of the operation and development of its investment advisory business.

Where such services are provided by a third party vendor, LPL Financial will either make a payment to NWFA to cover the cost of such services, reimburse NWFA for the cost associated with the services, or pay the third party vendor directly on behalf of NWFA.

The products and services described above are provided to NWFA as part of its overall relationship with LPL Financial. While as a fiduciary NWFA endeavors to act in its clients' best interests, the receipt of these benefits creates a conflict of interest because NWFA's recommendation that clients custody their assets at LPL Financial is based in part on the benefit to NWFA of the availability of the foregoing products and services and not solely on the nature, cost or quality of custody or brokerage services

provided by LPL Financial. NWFA's receipt of some of these benefits may be based on the amount of advisory assets custodied on the LPL Financial platform.

### ***Transition Assistance Benefits***

LPL Financial provides various benefits and payments to Dually Registered Persons that are new to the LPL Financial platform to assist the representative with the costs (including foregone revenues during account transition) associated with transitioning his or her business to the LPL Financial platform (collectively referred to as "Transition Assistance"). The proceeds of such Transition Assistance payments are intended to be used for a variety of purposes, including but not necessarily limited to, providing working capital to assist in funding the Dually Registered Person's business, satisfying any outstanding debt owed to the Dually Registered Person's prior firm, offsetting account transfer fees (ACATs) payable to LPL Financial as a result of the Dually Registered Person's clients transitioning to LPL Financial's custodial platform, technology set-up fees, marketing and mailing costs, stationary and licensure transfer fees, moving expenses, office space expenses, staffing support and termination fees associated with moving accounts.

Transition Assistance payments and other benefits are provided to associated persons of NWFA in their capacity as registered representatives of LPL Financial. However, the receipt of Transition Assistance by such Dually Registered Persons creates conflicts of interest relating to NWFA's advisory business because it creates a financial incentive for NWFA's representatives to recommend that its clients maintain their accounts with LPL Financial. In certain instances, the receipt of such benefits is dependent on a Dually Registered Person maintaining its clients' assets with LPL Financial and therefore NWFA has an incentive to recommend that clients maintain their account with LPL Financial in order to generate such benefits.

NWFA attempts to mitigate these conflicts of interest by evaluating and recommending that clients use LPL Financial's services based on the benefits that such services provide to our clients, rather than the Transition Assistance earned by any particular Dually Registered Person. Clients should be aware of this conflict and take it into consideration in making a decision whether to custody their assets in a brokerage account at LPL Financial.

Transactions for each client account generally will be effected independently. However, on occasion we will aggregate transactions for clients that we have discretionary trading authority. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple clients' accounts. Block trading may allow us to execute trades in a more timely and equitable manner.

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

We review the performance of managed accounts on a periodic, ongoing basis. On at least an annual basis, we review the account's rebalancing activity, review the fees charged to the account, review trading in the account against any client-directed restrictions, and review the performance of the account. We meet with the client at least annually or more frequently to review any changes in their financial goals or profile which would require any changes in their asset allocation.

Clients receive account statements directly from the custodian on at least a quarterly basis.

Financial Planning clients do not receive reviews of their written plans unless they take action to schedule a financial consultation with us. Our firm does not provide ongoing services to financial planning clients, but are willing to meet with such clients upon their request to discuss updates to their

plans, changes in their circumstances, etc. Financial Planning clients do not receive written or verbal updated reports regarding their financial plans unless they separately engage our firm for a post-financial plan meeting or update to their initial written financial plan.

We will contact you at least once a year to review our Retirement Plan Services. It is important that you discuss any changes in the Plan's demographic information, investment goals, and objectives with your IAR. Plans may receive written reports directly from their IAR based upon the services being provided, including any reports evaluating the performance of Plan investment manager(s) or investments.

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

### ***LPL Financial***

NWFA and/or its Dually Registered Persons are incented to join and remain affiliated with LPL Financial and to recommend that clients establish accounts with LPL Financial through the provision of Transition Assistance (discussed in Item 12 above). LPL also provides other compensation to NWFA and its Dually Registered Persons, including but not limited to, bonus payments, repayable and forgivable loans, stock awards and other benefits.

The receipt of any such compensation creates a financial incentive for your IAR to recommend LPL Financial as custodian for the assets in your advisory account. We encourage you to discuss any such conflicts of interest with your representative before making a decision to custody your assets at LPL Financial.

We do not compensate any person or company, which is not controlled by or under common control of NWFA, for client referrals nor do we offer or receive sales awards or prizes for providing investment advice to clients.

### ***Other Third Parties***

We may occasionally co-sponsor educational seminars or receive marketing support from unaffiliated investment companies or mutual funds. Our clients do not pay more for investment transactions effected and/or assets maintained as result of this arrangement. There is no commitment made by us to any other institution as a result of this arrangement.

### ***Client Referrals***

We do compensate the Credit Union for employees that refer banking customers that are in need of investment advisory services to us. Those referrals must meet certain qualifications, such as:

- Be immediately and genuinely interested in a NWFA product or service;
- Need a full-service advisor, not a self-directed product or service;
- Have the means to purchase a NWFA product or service; and
- Keep their scheduled meeting with the IAR.

Referrals cannot, under any circumstances, be qualified upon the result of a meeting or conversation. We are prohibited from qualifying Credit Union referrals based on whether or not an account was opened, the size of any resulting transaction, or the volume of assets gathered. For each referral that satisfies all of the above qualifications, NWFA pays the Credit Union up to \$25.

## Other Compensation

NWFA may receive additional compensation from various vendors, product providers, distributors and others. These providers may provide non-monetary compensation by paying some expenses related to training and education, including travel expenses, and attaining professional designations. NWFA might receive payments to subsidize our own training programs. Certain vendors may invite us to participate in conferences, on-line training or receive publications that may further our skills and knowledge. Some may occasionally provide us with gifts, meals and entertainment of reasonable value consistent with industry rules and regulations.

If applicable, and in the event the payments, or non-monetary compensation, are received in connection with or as a result of the Retirement Plan Services, we will disclose such fees to Sponsors in accordance with ERISA and Department of Labor regulations.

## Item 15: Custody

Most client assets are held in custody by LPL, an unaffiliated broker/dealer, but we can access client funds through the ability to debit advisory fees. LPL sends statements directly to the account owners on at least a quarterly basis. Some clients choose to hold their assets at other custodians. Clients should carefully review these statements and should compare these statements to any account information provided by us.

The SEC issued a no-action letter ("Letter") with respect to the Rule 206(4)-2 ("Custody Rule") under the Investment Advisers Act of 1940 ("Advisers Act"). The letter provided guidance on the Custody Rule as well as clarified that an adviser who has the power to disburse client funds to a third party under a standing letter of instruction ("SLOA") is deemed to have custody. As such, our firm has adopted the following safeguards in conjunction with our custodian, LPL Financial:

- The client provides an instruction to the qualified custodian, in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.
- The client authorizes the investment adviser, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
- The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization and provides a transfer of funds notice to the client promptly after each transfer.
- The client has the ability to terminate or change the instruction to the client's qualified custodian.
- The investment adviser has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
- The investment adviser maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.
- The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

NWFA will not serve as a custodian for Plan assets in connection with the Retirement Plan Services. Sponsor is responsible for selecting the custodian for Plan assets. We may be listed as the contact for

the Plan account held at an investment sponsor or custodian. Sponsor for the Plan will complete account paperwork with the outside custodian that will provide the name and address of the custodian. The custodian for Plan assets is responsible for providing the Plan with periodic confirmations and statements. We recommend that Sponsor reviews the statements and reports received directly from the custodian or investment sponsor.

Clients are encouraged to raise any questions with us about the custody, safety or security of their assets and our custodial recommendations.

## **Item 16: Investment Discretion**

We manage client accounts on a discretionary basis, subject to the restrictions (if any) that have been provided by clients. For accounts handled on a discretionary basis, we have the authority to determine the securities to be bought and sold without obtaining client consent to specific transactions; however, the IAR will generally discuss investment recommendations prior to executing trades. Clients grant us trading discretion through the execution of a limited power of attorney included in the client's advisory contract.

When providing Retirement Plan Services described herein, we may exercise discretionary authority or control over the investments specified in the Agreement. We perform these services to the Plan as a fiduciary under ERISA Section 3(21) and investment manager under ERISA Section 3(38). We are legally required to act with the degree of diligence, care and skill that a prudent person rendering similar services would exercise under similar circumstances. This discretionary authority is specifically granted to us by Sponsor, as specified in the Agreement (*see also, Item 4 above*).

## **Item 17: Voting Client Securities**

As a matter of policy, we disclaim any responsibility for voting client securities. Clients may contact us for advice or information about a particular proxy vote but we do not exercise proxy voting authority over client securities and should not be designated by custodians as the party to receive information on voting client proxies. The obligation to vote client proxies rests with the client.

We have no authority or responsibility to vote any security held by the Plan or the related proxies. That authority is reserved by the Sponsor or trustee of the Plan.

## **Item 18: Financial Information**

We are not required to file a balance sheet since we do not collect more than \$1,200 in fees and six months or more in advance. In addition, there is no known financial condition that is reasonably likely to impair our ability to meet contractual commitments, and we have not been the subject of a bankruptcy proceeding.