

**Item 1: Cover Sheet**

**FORM ADV PART 2A  
INFORMATIONAL BROCHURE**



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**This brochure provides information about the qualifications and business practices of New Potomac Partners LLC. If you have any questions about the contents of this brochure, please contact us at (240) 253-4280 or via email at [dstraus@newpotomacpartners.com](mailto:dstraus@newpotomacpartners.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Our registration does not imply a certain level of skill or training.**

**Additional information about New Potomac Partners LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Item 2: Statement of Material Changes**

There are no material changes in this brochure from the last annual updating amendment of New Potomac Partners LLC on 03/20/2020. Material changes relate to New Potomac Partners LLC's policies, practices or conflicts of interests only.

**Item 3: Table of Contents**

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## INFORMATIONAL BROCHURE

### NEW POTOMAC PARTNERS LLC

#### **Item 4: Advisory Business**

New Potomac Partners LLC (“NPP”) has been in business since October, 2014. David Straus, Joshua Olds, and Robin Mitler are the firm’s principal owners.

NPP provides portfolio management financial planning, and investment management services. Clients advised may include individuals, families, trusts, charitable organizations and foundations, pensions and corporations.

##### Asset Management

NPP does not generally require each client to place a minimum amount of assets with the firm.

Asset management services may be provided on a “discretionary” or on a “non-discretionary” basis. When NPP is engaged to provide asset management services on a discretionary basis, we will monitor your accounts to ensure that they are meeting your asset allocation requirements. If any changes are needed to your investments, we will make the changes. These changes may involve selling a security or group of investments and buying others or keeping the proceeds in cash. You may at any time place restrictions on the types of investments we may use on your behalf, or on the allocations to each security type. You will receive written or electronic confirmations from your account custodian after any changes are made to your account. You will also receive statements at least quarterly from your account custodian. Clients engaging us on a discretionary basis will be asked to execute a Limited Power of Attorney (granting us the discretionary authority over the client accounts) as well as an Investment Management Agreement that outlines the responsibilities of both the client and NPP.

When a client engages us to provide investment management services on a non-discretionary basis, we monitor the accounts in the same way as for discretionary services. The difference is that changes to your account will not be made until we have confirmed with you (either verbally or in writing) that our proposed change is acceptable to you.

##### Wrap Program

For some clients, NPP may include certain transactional costs in the client’s management fee. This arrangement is referred to as a “Wrap Program”. For accounts in the Wrap Program, NPP pays a fee to the custodian based on the clients’ transaction costs. Fees in the wrap program include transaction costs for the purchase or sale of securities, but do not include expenses related to the use of margin, wire transfer fees, the fees charged to shareholders of mutual funds or ETFs, mark-ups and mark-downs, spreads, odd-lot differentials, fees charged by regulatory agencies, and any transaction fees for securities trades executed by a broker-dealer other than the agreed upon custodian. Expenses for the management fees of third party managers are also not included in the Wrap Program, and to the extent utilized, you will be responsible for such fees. Because NPP will be managing the assets of wrap fee program clients the same way as other non-wrap fee program clients, the use of external portfolio managers within the wrap program is expected to be limited. To the extent a third party manager is utilized, the fees payable to such managers will not be included in the wrap program. Therefore, there is no difference between how NPP manages wrap fee accounts and how NPP manages other accounts. While there is no difference between the investment recommendations for wrap fee accounts and how NPP manages other accounts, clients

who do not participate in the wrap program are non-discretionary clients, meaning changes to the client's account will not be made until we have confirmed with the client (either verbally or in writing) that our proposed change is acceptable to them.

Because of the nature of a wrap fee program, where wrap fees are not tied to an account's frequency of trading and apply to generally all assets in the account, the wrap fee program client may pay more or less than if the client had compensated NPP outside of the wrap fee program. For example, if a client's account is rarely traded, the transaction fees the client would have paid would be minimal, thus limiting the benefits of "wrapping" management fees and transaction fees. Clients whose accounts will be rarely traded should carefully consider whether the Wrap Program is appropriate. Clients are not required to participate in the Wrap Program. NPP receives a portion of the wrap fee for our services.

NPP does not engage other portfolio managers to manage assets within the wrap fee program. To the extent a third party manager is utilized, the fees payable to such managers will not be included in the wrap program. NPP is the sole portfolio manager in the wrap program, which means that NPP receives a portion of the wrap fee for our services. Transaction fees are paid to various broker-dealers, mutual funds and ETFs. The remainder of the wrap fee is the management fee payable to NPP.

NPP will receive no additional compensation for offering the wrap fee program.

Please see the separate Wrap Fee Brochure for a more complete description of the Wrap Program.

If you request, NPP may recommend the services of other professionals for implementation purposes. You are under no obligation to engage the services of any such recommended professional. You retain absolute discretion over all such implementation decisions and are free to accept or reject any recommendation from NPP. If you engage any professional recommended by NPP, and a dispute arises thereafter relative to such engagement, you agree to seek recourse exclusively from and against the engaged professional.

#### Financial Planning

Some NPP clients are provided with financial planning as part of the asset management services on an as-needed basis, so that the investment decisions made in the asset management process can closely track the goals of the client's financial plan. In some cases the client receives a written deliverable plan document. In cases where the needs and circumstances are simpler, a written deliverable may not be merited. However, for clients wishing to have planning services without asset management, a separate engagement can be arranged.

#### Assets Under Management

As of December 2020, NPP has approximately \$179,494,123 in assets under management, in 118 accounts. Of that total, \$166,438,021 is managed on a discretionary basis, in 89 accounts and \$13,056,102 is managed on a non-discretionary basis, in 29 accounts.

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

#### **A. Fees Charged**

All investment management clients will be required to execute an Investment Management Agreement that will describe the type of management services to be provided and the fees, among other items.

### Asset Management

Generally, fees vary from 0.60% to 1.25% per annum of the market value of a client's assets managed by NPP. The fee range stated is a guide. Fees are negotiable, and may be higher or lower than this range, based on the nature of the account. Factors affecting fee percentages include the size of the account, complexity of asset structures, and other factors. For non-discretionary clients who do not participate in the Wrap Program, the fee is a flat 0.75% per annum. All clients, but especially those with smaller accounts, should be advised they may receive similar services from other professionals for higher or lower overall costs. NPP's fee schedule for discretionary asset management is as follows:

<i>Assets Under Management</i>	<i>Annual Rate</i>
\$0-\$750,000	1.25%
\$750,000-\$1,500,000	1.00%
\$1,500,000-\$2,500,000	0.75%
\$2,500,000-\$5,000,000	0.50%
\$5,000,000 and above	Negotiable

### Financial Planning

#### **Fixed Fees**

The rate for creating client financial plans is between \$1,000 and \$2,500. The fees are negotiable and the final fee schedule will be attached as Exhibit II of the Financial Planning Agreement.

#### **Hourly Fees**

The hourly fee for these services is \$100. The hourly fee is negotiable and the final fee schedule will be attached as Exhibit II of the Financial Planning Agreement.

#### **B. Fee Payment**

### Asset Management

Investment advisory fees may be debited directly from each client's account. The advisory fee is paid quarterly, either in advance or arrears, depending on the client's arrangement with NPP. The value used for the fee calculation is the net value as of the last market day of the previous quarter. By using the last day of the previous billing period, NPP is not taking into consideration any upcoming deposits or withdrawals, unless the withdrawal is pursuant to a termination of the relationship, in which case a pro-rata refund will be issued. This means that if your annual fee is 1.00%, then each quarter we will multiply the value of your account by 1.00% then divide by 4 to calculate our fee. Once the calculation is made, we will instruct your account custodian to deduct the fee from your account and remit it to NPP. While almost all of our clients choose to have their fee debited from their account, we will invoice clients upon request.

Clients whose fees are directly debited will provide written authorization to debit advisory fees from their accounts held by a qualified custodian chosen by the client. Each quarter, clients will receive a bill itemizing the fees to be debited, including the formula used to calculate the fee, the amount of assets upon which the fee is based, and the time period covered by the fee. The invoice will also state that the fee was

not independently calculated by the custodian. The client will also receive a statement from their account custodian showing all transactions in their account, including the fee.

#### Financial Planning

Fixed and Hourly Financial Planning fees are paid via cash, check or wire. Fees are paid in arrears upon delivery of the plan.

#### C. Other Fees

There are a number of other fees that can be associated with holding and investing in securities. You will be responsible for fees including transaction fees for the purchase or sale of a mutual fund or Exchange Traded Fund, or commissions for the purchase or sale of a stock. To the extent you participate in New Potomac Partner's Wrap Program, you will not be responsible for these fees, as they will be paid by New Potomac Partners as part of your management fee. Expenses of a fund will not be included in management fees, as they are deducted from the value of the shares by the mutual fund manager. For complete discussion of expenses related to each mutual fund, you should read a copy of the prospectus issued by that fund. NPP can provide or direct you to a copy of the prospectus for any fund that we recommend to you.

Please make sure to read Item 12 of this informational brochure, where we discuss broker-dealer and custodial issues.

#### D. *Pro-rata* Fees

For clients who are billed in advance, if you become a client during a quarter, you will pay a management fee for the number of days left in that quarter. If you terminate our relationship during a quarter, you will be entitled to a refund of any management fees for the remainder of the quarter. Once your notice of termination is received, we will assess pro-rated fees for the number of days between the end of the prior billing period and the date of termination to be paid in whatever way you direct (check, wire).

For clients who are billed in arrears, if you become a client during a quarter, you will pay a management fee for the number of days left in that quarter. If you terminate our relationship during a quarter, you will be charged a management fee for the portion of the quarter during which you were a client. Once your notice of termination is received, we will charge the fee through the date of termination.

NPP will cease to perform services, including processing trades and distributions, upon termination. Assets not transferred from terminated accounts within 30 (thirty) days of termination may be "de-linked", meaning they will no longer be visible to NPP and will become a retain account with the custodian.

#### E. Compensation for the Sale of Securities

This item is not applicable.

### **Item 6: Performance-Based Fees**

NPP will not charge performance based fees.

## **Item 7: Types of Clients**

Clients advised may include individuals, families, trusts, charitable organizations and foundations, pensions and corporations. NPP does not generally require each client to place a minimum amount of assets with the firm.

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

It is important for you to know and remember that all investments carry risks. **Investing in securities involves risk of loss that clients should be prepared to bear.**

Each client's portfolio will be invested according to that client's investment objectives. We determine these objectives by interviewing the client and/or asking the client to put these objectives in writing. Once we ascertain your objectives for each account, we will develop a set of asset allocation guidelines. An asset allocation strategy is a percentage-based allocation to different investment types. For example, a client may have an asset allocation strategy that calls for 40-60% of the portfolio to be invested in equity securities, with 20% of that allocated to international equities and the remaining balance in fixed income. Another client may have an asset allocation of 50-60% in fixed income securities and the remainder equities. The percentages in each type that we recommend are based on the typical behavior of that security type, individual securities we follow, current market conditions, your current financial situation, your financial goals, and the timeline to get you to those goals. Because we develop an investment strategy based on your personal situation and financial goals, your asset allocation guidelines may be similar to or different from another client's. Once we agree on allocation guidelines, risk tolerance, time horizon, and how to achieve these results, we will develop a plan to guide all parties involved in the execution of these goals, including but not limited to, NPP, the client, the custodian, and the investment managers.

Upon completion of the plan, we will periodically recommend securities transactions in your portfolio to meet the guidelines of the asset allocation strategy. It is important to remember that because market conditions can vary greatly, your asset allocation guidelines are not necessarily strict rules. Rather, we review accounts individually, and may deviate from the guidelines as we believe necessary.

The specific securities we recommend for your account will depend on market conditions and our research at the time. Generally, we recommend a mix of stocks, bonds, exchange traded funds mutual funds, index funds and options. Specific funds are chosen based on how its investment objective fits into the asset allocation recommended by NPP, its risk parameters, past performance, peer rankings, fees, expenses, and any other aspects of the fund NPP deems relevant to that particular fund. We base our conclusions on predominantly publicly available research, such as regulatory filings, press releases, competitor analyses, and in some cases research we receive from our custodian or other market analyses. We will also utilize technical analyses, which means that we will review the past behaviors of the security and the markets in which it trades for signals as to what might happen in the future.

Additionally, part of the NPP process includes, where appropriate, involving multiple generations in order to facilitate family financial planning. This can increase the financial education of the later generations and manage expectations. However, potential for conflicts of interest exist with the exchange of intergenerational information. NPP attempts to minimize these conflicts by treating each household as its own fiduciary relationship. Information can only be shared across generations with each household's consent.



## Risk of Loss

There are always risks to investing. Clients should be aware that all investments carry various types of risk including the potential loss of principal that clients should be prepared to bear. It is impossible to name all possible types of risks. Among the risks are the following:

- **Political Risks.** Most investments have a global component, even domestic stocks. Political events anywhere in the world may have unforeseen consequences to markets around the world.
- **General Market Risks.** Markets can, as a whole, go up or down on various news releases or for no understandable reason at all. This sometimes means that the price of specific securities could go up or down without real reason, and may take some time to recover any lost value. Adding additional securities does not help to minimize this risk since all securities may be affected by market fluctuations.
- **Currency Risk.** When investing in another country using another currency, the changes in the value of the currency can change the value of your security value in your portfolio.
- **Regulatory Risk.** Changes in laws and regulations from any government can change the value of a given company and its accompanying securities. Certain industries are more susceptible to government regulation. Changes in zoning, tax structure or laws impact the return on these investments.
- **Tax Risks Related to Short Term Trading:** Clients should note that NPP may engage in short-term trading transactions. These transactions may result in short term gains or losses for federal and state tax purposes, which may be taxed at a higher rate than long term strategies. NPP endeavors to invest client assets in a tax efficient manner, but all clients are advised to consult with their tax professionals regarding the transactions in client accounts.
- **Purchasing Power Risk.** Purchasing power risk is the risk that your investment's value will decline as the price of goods rises (inflation). The investment's value itself does not decline, but its relative value does, which is the same thing. Inflation can happen for a variety of complex reasons, including a growing economy and a rising money supply.
- **Business Risk.** This can be thought of as certainty or uncertainty of income. Management comes under business risk. Cyclical companies (like automobile companies) have more business risk because of the less steady income stream. On the other hand, fast food chains tend to have steadier income streams and therefore, less business risk.
- **Financial Risk.** The amount of debt or leverage determines the financial risk of a company.
- **Default Risk.** This risk pertains to the ability of a company to service their debt. Ratings provided by several rating services help to identify those companies with more risk. Obligations of the U.S. government are said to be free of default risk.
- **Margin Risk.** "Margin" is a tool used to maximize returns on a given investment by using securities in a client account as collateral for a loan from the custodian to the client. The proceeds of that loan are then used to buy more securities. In a positive result, the additional securities provide additional return on the same initial investment. In a negative result, the additional securities provide additional losses. Margin therefore carries a higher degree of risk than investing without margin. Any client account that will use margin will do so in accordance with Regulation T. NPP may utilize margin on a limited basis for clients with higher risk tolerances.
- **Short Sales.** "Short sales" are a way to implement a trade in a security NPP feels is overvalued. In a "long" trade, the investor is hoping the security increases in price. Thus in a long trade, the amount of the investor's loss (without margin) is the amount paid for the security. In a short sale, the investor is hoping the security decreases in price. However, unlike a long trade where the price of the security can only go from the purchase price to zero, in a short sale, the price of the security can go infinitely upwards. Thus in a short sale, the potential for loss is unlimited and unknown, where the potential for loss in a long trade is limited and knowable. NPP utilizes short sales only when the client's risk tolerances permit.
- **Information Risk.** All investment professionals rely on research in order to make conclusions about investment options. This research is always a mix of both internal (proprietary) and external (provided by third parties) data and analyses. Even an adviser who says they rely solely on proprietary research

must still collect data from third parties. This data, or outside research is chosen for its perceived reliability, but there is no guarantee that the data or research will be completely accurate. Failure in data accuracy or research will translate to a compromised ability by the adviser to reach satisfactory investment conclusions.

- **Small Companies.** Some investment opportunities in the marketplace involve smaller issuers. These companies may be starting up, or are historically small. While these companies sometimes have potential for outsized returns, they also have the potential for losses because the reasons the company is small are also risks to the company's future. For example, a company's management may lack experience, or the company's capital for growth may be restricted. These small companies also tend to trade less frequently than larger companies, which can add to the risks associated with their securities because the ability to sell them at an appropriate price may be limited as compared to the markets as a whole. Not only do these companies have investment risk, if a client is invested in such small companies and requests immediate or short term liquidity, these securities may require a significant discount to value in order to be sold in a shorter time frame.

- **Concentration Risk.** While NPP selects individual securities, including mutual funds, for client portfolios based on an individualized assessment of each security, this evaluation comes without an overlay of general economic or sector specific issue analysis. This means that a client's equity portfolio may be concentrated in a specific sector, geography, or sub-sector (among other types of potential concentrations), so that if an unexpected event occurs that affects that specific sector or geography, for example, the client's equity portfolio may be affected negatively, including significant losses.

- **Transition Risk.** As assets are transitioned from a client's prior advisers to NPP there may be securities and other investments that do not fit within the asset allocation strategy selected for the client. Accordingly, these investments will need to be sold in order to reposition the portfolio into the asset allocation strategy selected by NPP. However, this transition process may take some time to accomplish. Some investments may not be unwound for a lengthy period of time for a variety of reasons that may include unwarranted low share prices, restrictions on trading, contractual restrictions on liquidity, or market-related liquidity concerns. In some cases, there may be securities or investments that are never able to be sold. The inability to transition a client's holdings into recommendations of NPP may adversely affect the client's account values, as NPP's recommendations may not be able to be fully implemented.

- **Restriction Risk.** Clients may at all times place reasonable restrictions on the management of their accounts. However, placing these restrictions may make managing the accounts more difficult, thus lowering the potential for returns.

- **Risks Related to Investment Term & Liquidity.** Securities do not follow a straight line up in value. All securities will have periods of time when the current price of the security is not an accurate measure of its value. If you require us to liquidate your portfolio during one of these periods, you will not realize as much value as you would have had the investment had the opportunity to regain its value. Further, some investments are made with the intention of the investment appreciating over an extended period of time. Liquidating these investments prior to their intended time horizon may result in losses.

- **REITs:** NPP may recommend that portions of client portfolios be allocated to real estate investment trusts, otherwise known as "REITs". A REIT is an entity, typically a trust or corporation, that accepts investments from a number of investors, pools the money, and then uses that money to invest in real estate through either actual property purchases or mortgage loans. While there are some benefits to owning REITs, which include potential tax benefits, income and the relatively low barrier to invest in real estate as compared to directly investing in real estate, REITs also have some increased risks as compared to more traditional investments such as stocks, bonds, and mutual funds. First, real estate investing can be highly volatile. Second, the specific REIT chosen may have a focus such as commercial real estate or real estate in a given location. Such investment focus can be beneficial if the properties are successful, but lose significant principal if the properties are not successful. REITs may also employ significant leverage for the purpose of purchasing more investments with fewer investment dollars, which can enhance returns but also enhances the risk of loss. The success of a REIT is highly dependent upon the manager of the REIT. Clients should ensure they understand the role of the REIT in their portfolio.

- **Exchange Traded Funds (ETFs):** An ETF is an investment fund traded on stock exchanges, similar to stocks. Investing in ETFs carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy). Areas of concern include the lack of transparency in products and increasing complexity, conflicts of interest and the possibility of inadequate regulatory compliance. Because ETFs use "authorized participants" (APs) as agents to facilitate creations or redemptions (primary market), there is a risk that an AP decides to no longer participate for a particular ETF; however, that risk is mitigated by the fact that other APs can step in to fill the vacancy of the withdrawing AP [an ETF typically has multiple APs] and ETF transactions predominantly take place in the secondary market without need for an AP. Like other liquid securities, ETF pricing changes throughout the trading day and there can be no guarantee that an ETF is purchased at the optimal time in terms of market movements. Moreover, due to market fluctuations, ETF brokerage costs, differing demand and characteristics of underlying securities, and other factors, the price of an ETF can be lower than the aggregate market price of its cash and component individual securities (net asset value – NAV). An ETF is subject to the same market risks as those of its underlying individual securities, and also has internal expenses that can lower investment returns.

**Item 9:           Disciplinary Information**

There are no disciplinary items to report.

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

**A. Broker-dealer**

Neither the principals of NPP, nor any related persons are registered, or have an application pending to register, as a broker dealer or as an associated person of the foregoing entities.

**B. Futures Commission Merchant/Commodity Trading Advisor**

Neither the principals of NPP, nor any related persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

**C. Relationship with Related Persons**

The owners of NPP all worked together at a prior firm. Some clients of that prior firm became clients of Folger Nolan Fleming Douglas Incorporated, a registered investment adviser and broker-dealer. In many cases, the client and the advisory professionals at Folger Nolan have recommended that NPP manage the assets as subadviser, while Folger Nolan and its representatives remain responsible for overall investment advice, such as asset allocation and financial planning. In these cases, clients pay a fee to NPP as well as a subadvisory fee to Folger Nolan. In addition, for Folger Nolan clients, Folger Nolan, and not NPP, recommends a specific custodian for client accounts. Because Folger Nolan makes this recommendation and not NPP, NPP is not able to ensure best execution for these accounts. Clients may pay more or otherwise receive less value for the costs of their transactions had NPP been responsible for the recommendation of a custodian. Because of the complexity of the relationship given the subadvisory relationship, the fact that Folger Nolan recommends the custodian, the separation of responsibilities for each client relationship, and the large portion of NPP's assets that are also clients of Folger Nolan, NPP has a conflict of interest when rendering advice to Folger Nolan clients, in that the relationship with Folger Nolan is an important business relationship to NPP. We attempt to mitigate this conflict by disclosing it

in this Form ADV and by reminding employees that the firm's Code of Ethics requires employees to act in the best interests of clients.

**D. Recommendations of Other Advisers**

NPP does not utilize nor select other advisers or third party managers. All assets are managed by NPP.

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

A. A copy of our Code of Ethics is available upon request. Our Code of Ethics includes discussions of our fiduciary duty to clients, political contributions, gifts, entertainment, and trading guidelines.

B. Not applicable. NPP does not recommend to clients that they invest in any security in which NPP or any principal thereof has any financial interest.

C. On occasion, a principal of NPP may purchase for his or her own account securities which are also recommended for clients. Our Code of Ethics details rules for employees regarding personal trading and avoiding conflicts of interest related to trading in one's own account. To avoid placing a trade before a client (in the case of a purchase) or before a client (in the case of a sale), all employee trades must be reviewed by the Compliance Officer. All employee trades should either take place in the same block as the client trade or after the client trade. All trades should receive prior approval from the Compliance Officer. Employee statements are reviewed to confirm compliance with the trading procedures.

D. On occasion, a principal of NPP may purchase for his or her own account securities which are also recommended for clients at the same time the clients purchase the securities. Our Code of Ethics details rules for employees regarding personal trading and avoiding conflicts of interest related to trading in one's own account. To avoid placing a trade before a client (in the case of a purchase) or before a client (in the case of a sale), all employee trades must be reviewed by the Compliance Officer. All employee trades should either take place in the same block as the client trade or after the client trade. All trades should receive prior approval from the Compliance Officer. Employee statements are reviewed to confirm compliance with the trading procedures.

**Item 12: Brokerage Practices**

**A. Recommendation of Broker-Dealer**

NPP does not maintain custody of client assets; though NPP may be deemed to have custody if a client grants NPP authority to debit fees directly from their account (see Item 15 below). Assets will be held with a qualified custodian, which is typically a bank or broker-dealer. NPP recommends that investment accounts be held in custody by Schwab Advisor Services ("Schwab"), which is a qualified custodian. NPP is independently owned and operated and is not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when NPP instructs them to, which NPP does in accordance with its agreement with you. While NPP recommends that you use Schwab as custodian/broker, you will decide whether to do so and will open your account with Schwab by entering into an account agreement directly with them. NPP does not open the account for you, although NPP may assist you in doing so. Even though your account is maintained at Schwab, we may use other brokers to execute trades for your account as described below (see "Your brokerage and custody costs").

Folger Nolan, for which NPP acts as subadvisor, recommends Pershing LLC.

### **How we select brokers/custodians**

We seek to recommend a custodian/broker that will hold your assets and execute transactions on terms that are, overall, most advantageous when compared with other available providers and their services. We consider a wide range of factors, including both quantitative (i.e.: costs) and qualitative (execution, reputation, service) factors. We do not consider whether Schwab or any other broker-dealer/custodian, refers clients to NPP as part of our evaluation of these broker-dealers.

### **Your brokerage and custody costs**

For our clients' accounts that Schwab maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. In addition to commissions, Schwab charges you a flat dollar amount as a "prime broker" or "trade away" fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have Schwab execute most trades for your account. We have determined that having Schwab execute most trades is consistent with our duty to seek "best execution" of your 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 NPP. They provide NPP and our clients with access to its institutional brokerage services (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 NPP manage or administer our clients' accounts, while others help NPP manage and grow our business. Schwab's support services are generally available on an unsolicited basis (we don't have to request them) and at no charge to NPP. Following is a more detailed description of Schwab's support services:

#### *Services that benefit you*

Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.

*Services that may not directly benefit you.*

Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or 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:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from our clients' accounts
- 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:

- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers
- Assistance related to the transition of client assets from prior firms

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

**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. We don't have to pay for Schwab's services. These services are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. We may have an incentive to recommend that you maintain your account with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services (see "How we select brokers/ custodians") and not Schwab's services that benefit only us.

We do not consider whether Schwab or any other broker-dealer/custodian, refers clients to NPP as part of our evaluation of these broker-dealers.

## B. Aggregating Trades

Commission costs per client may be lower on a particular trade if all clients in whose accounts the trade is to be made are executed at the same time. This is called aggregating trades. For clients not working with NPP through the wrap program, NPP may place trades for the same security needed in multiple accounts by executing one trade, and then allocate the trades to each account after execution. If an aggregate trade is not fully executed, NPP attempts to allocate the securities to client accounts on a *pro rata* basis, except where doing so would create an unintended adverse consequence (For example, if a *pro rata* division would result in a client receiving a fraction of a share, or a position in the account of less than 1%.)

NPP may render investment advice for clients whose assets are held with a broker-dealer chosen by the client, and not recommended by NPP. In such arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer. Consequently the client, and not NPP, will be in the best position to seek and secure the best value for the costs of execution. This means that the client may not pay the most cost effective commission rates. NPP will not be able to aggregate orders under these circumstances, which may result in higher commission costs or transaction fees because the trading costs are not allocated among a group. Clients also may not benefit from commission rates NPP may be able to negotiate. Further, there may be some transactions in certain securities that must be placed first through NPP recommended broker-dealer. In some circumstances, placing those trades first may mean that a client who directs brokerage may not only pay a higher commission cost, they may also pay a higher price for a given security. NPP current practice is to randomly select which broker-dealer we enter trades in first. In general, clients may not receive value for the commission dollar spent, may spend more than is necessary for execution services, and may have reduced gains in their accounts as a result of directing brokerage.

## Item 13: Review of Accounts

All accounts will be reviewed by a senior professional on at least a quarterly basis. However, it is expected that market conditions, changes in a particular client's account, or changes to a client's circumstances will trigger a review of accounts.

The quarterly reports in writing provided by NPP are intended to review asset allocation. All clients will receive statements and confirmations of trades directly from Schwab. Additionally, all clients will receive quarterly itemized bills from NPP. Please refer to Item 15 regarding Custody.

## Item 14: Client Referrals and Other Compensation

### A. Economic Benefit Provided by Third Parties for Advice Rendered to Client.

*Please refer to Item 12, where we discuss recommendation of Broker-Dealers.*

### B. Compensation to Non-Advisory Personnel for Client Referrals.

Clients may be introduced to NPP via other third parties. In the event that NPP compensates any party for the referral of a client to NPP, any such compensation will be paid by NPP, and not the client. If the client is introduced to NPP by an unaffiliated third party, that third party will disclose to the client the

referral arrangement with NPP, including the compensation for the referral, and provide the client a copy of NPP's ADV Part 2A and 2B. The referral source will also provide a written disclosure to the client regarding the relationship between NPP and the referral source, including the fact that referral fees will be paid. Specifically, as discussed above in Item 10, clients may be referred by Folger Nolan.

#### **Item 15: Custody**

NPP may deduct fees from client accounts, but would not have custody of client funds otherwise. Clients will receive statements directly from the agreed upon custodian, and copies of all trade confirmations directly from the custodian.

Clients whose fees are directly debited will provide written authorization to debit advisory fees from their accounts held by a qualified custodian chosen by the client. Each quarter, clients will receive a bill itemizing the fees to be debited, including the formula used to calculate the fee, the amount of assets the fee is based, and the time period covered by the fee. The invoice will also state that the fee was not independently calculated by the custodian. The client will also receive a statement from their account custodian showing all transactions in their account, including the fee.

Custody is also disclosed in Form ADV because NPP has authority to transfer money from client account(s), which constitutes a standing letter or authorization (SLOA). Accordingly, NPP will follow the safeguards specified by the SEC rather than undergo an annual audit.

We encourage clients to carefully review the statements and confirmations sent to them by their custodian, and to compare the information on your quarterly report prepared by NPP against the information in the statements provided directly from the custodian. Please alert us of any discrepancies.

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

When NPP is engaged to provide asset management services on a discretionary basis, we will monitor your accounts to ensure that they are meeting your asset allocation requirements. If any changes are needed to your investments, we will make the changes. These changes may involve selling a security or group of investments and buying others or keeping the proceeds in cash. You may at any time place restrictions on the types of investments we may use on your behalf, or on the allocations to each security type. You may receive at your request written or electronic confirmations from your account custodian after any changes are made to your account. You will also receive monthly statements from your account custodian. Clients engaging us on a discretionary basis will be asked to execute a Limited Power of Attorney (granting us the discretionary authority over the client accounts) as well as an Investment Management Agreement that outlines the responsibilities of both the client and NPP.

When a client engages NPP to provide investment management services on a non-discretionary basis, the accounts are monitored by NPP. The difference is that changes to your account will not be made until NPP has confirmed with you (either verbally or in writing) that the proposed change is acceptable to you.

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

Copies of our Proxy Voting Policies are available upon request.

From time to time, shareholders of stocks, mutual funds, exchange traded funds or other securities may be permitted to vote on various types of corporate actions. Examples of these actions include mergers,



tender offers, class action lawsuits, or board elections. NPP will vote proxies on behalf of its clients. For these situations, NPP generally utilizes an independent proxy voting services. Proxies are voted directly by the independent proxy voting services in a manner that is consistent with the agreed upon guidelines, which have been adopted by NPP.

**Item 18: Financial Information**

NPP does not require the prepayment of fees more than six (6) months or more in advance and therefore has not provided a balance sheet with this brochure.

There are no material financial circumstances or conditions that would reasonably be expected to impair our ability to meet our contractual obligations to our clients.