

**Part 2A of Form ADV**

**Firm Brochure**

**May 28, 2021**

**Chicago Partners Investment Group LLC**

**d/b/a Chicago Partners Wealth Advisors**

SEC File No. 801-69500

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This brochure provides information about the qualifications and business practices of Chicago Partners Investment Group LLC, d/b/a Chicago Partners Wealth Advisors. If you have any questions about the contents of this brochure, please contact us at 312-284-6363. 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. Registration with the SEC or State Regulatory Authority does not imply a certain level of skill or expertise.

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

## Item 2. Material Changes

This Firm Brochure is our disclosure document prepared according to regulatory requirements and rules. Consistent with the rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

At any time, you may view the current Disclosure Brochure online at the SEC's Investment Adviser Public Disclosure website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov) or by searching our firm name or our CRD# 147662. You may also request a copy of this Disclosure Brochure at any time by contacting us at (312) 284-6363 or by email [jim@chicagopartnersllc.com](mailto:jim@chicagopartnersllc.com)

### **Material Changes for Form ADV Part 2A, Disclosure Brochure**

Since the Annual Amendment filing on March 2, 2021, this Disclosure Brochure has been materially amended at Items 4, 12 and 14 to disclose participation in the Schwab Advisor Network referral program.

Since the last Annual Amendment filing on March 23, 2020, this Disclosure Brochure has been materially amended to reflect a new main office address. Items 4,5,10 and 11 were amended to provide additional information regarding two affiliated private placement funds managed and offered by our Firm. Items 4, 5, 7 and 12 have all been amended with respect to our automated investment advisory program, known as the Chicago Partners Optimized Intelligent Investor program.

**ANY QUESTIONS: Our Chief Compliance Officer, James Hagedorn, remains available to address any questions that an existing or prospective client may have regarding this Brochure.**

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## Item 4. Advisory Business

### A. Description of Your Advisory Firm

Chicago Partners Investment Group LLC, d/b/a Chicago Partners Wealth Advisors ("CP" and/or "the firm") is an Illinois limited liability company and an independently owned SEC-registered investment advisor. The firm is headquartered in Chicago, IL. The firm was founded in 2009 by James Hagedorn, CFA (Managing Partner), and co-founded by Anthony Halpin, CPA (Partner). Mr. Hagedorn is the majority and principal owner of CP.

### B. Description of Advisory Services Offered

CP offers discretionary and non-discretionary investment advisory services to high-net-worth individuals, trusts, not-for-profit plans, endowments, charitable organizations, corporations, other business entities. CP's advisory services may include financial planning, portfolio management, selection of other advisers, and 401(k) plan option review and monitoring. In the event that the client requires extraordinary planning and/or consultation services (to be determined in the sole discretion of CP), CP may determine to charge for such additional services, the dollar amount of which shall be set forth in a separate written notice to the client.

#### B.1. Portfolio Management Services

##### B.1.a. Separately Managed Accounts

CP advises on the assets of its clients based on their selected investment strategy in accordance with their investment objectives, risk tolerance, time horizon, and any reasonable restrictions they impose.

- **Step 1 – Analyze Current Portfolio.** We review the client's current investment portfolio. Through the Wealth Management System (WMS), we can aggregate in current holdings, which include investments that we will manage as well as investments the client plans to keep with other managers. We will analyze this information to help determine areas that may be lacking in diversification as well as areas that hold underperforming or high fee investments. We partner with clients to be their General Manager in making sure all their investments work in concert together.
- **Step 2 – Design Optimal Portfolio.** We design an optimal portfolio for the client based on outside holdings, cash needs and risk profile. Using our analysis of the client's current portfolio as well as discussions and meetings with the client, we will design a portfolio that

meets the client's investment goals and objectives. This is a customized process and the portfolio will be designed so that it is unique to the client's specific situation.

- **Step 3 – Investment Advisory Agreement.** We formalize the investment relationship with the client. Through a disciplined, ongoing and collaborative approach, we will build with the client a comprehensive strategic asset allocation with asset class targets that we will manage to maintain.
- **Step 4 – Build Portfolio.** We build the client's portfolio. We will provide the client with the necessary documents to open the appropriate investment accounts at one of the custodians that we partner with. We will then facilitate the transfer of assets from other custodians or help the client deposit funds to their accounts. Once the accounts are funded, we will outline the appropriate trading strategy. We will then place the trades on the client's behalf based on our agreed upon trading strategy.
- **Step 5 – Monitor and Review.** We monitor and review the client's portfolio. As soon as the new accounts are open, the client will begin receiving monthly statements from the custodian. The client will also receive a custom quarterly reporting package from us that provides economic updates, asset allocation overview, performance data and relevant tax related information. We also have the ability to produce custom reports on an as-needed basis to help the client stay up to date with their portfolio and to help us continually monitor how the portfolio is performing. We will review the portfolio with the client when desired and will make appropriate changes as needed.

In addition to providing CP with information regarding their personal financial circumstances, investment objectives and tolerance for risk, clients are required to provide the firm with any reasonable investment restrictions that should be imposed on the management of their portfolio, and to promptly notify the firm of any changes in such restrictions or in the client's personal financial circumstances, investment objectives, goals and tolerance for risk. Before engaging CP to provide investment advisory services, clients are required to enter into an *Investment Advisory Agreement* with CP setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the fee that is due from the client.

On a quarterly basis, CP's reports to clients will remind clients of their obligation to inform the firm of any such changes or any restrictions that should be imposed on the management of the client's account. CP will also contact clients at least annually to determine whether there have been any changes in a client's personal financial circumstances, investment objectives and tolerance for risk.

## B.2. Family Office

- **Step 1 - Provide Comprehensive Performance Reporting.** We will aggregate all investment accounts. We will provide a consolidated "One Page" investment summary of each account relative to their appropriate benchmark, as well as performance information by asset class and security.
- **Step 2 - Provide Comprehensive Asset Allocation Reporting.** We will create a comprehensive asset allocation statement breaking down an aggregated investment portfolio by asset class relative to strategic targets.
- **Step 3 - Provide Recommendations on Asset Allocation Changes.** Based on information generated in steps 1 & 2 above, we will recommend changes in the asset allocation to make sure the family has real diversification and is positioned to meet their investment objectives. Importantly, we will work with each family member to make sure their investment program complements the comprehensive investment portfolio for the family.
- **Step 4 - Provide Recommendations on Manager Changes.** Based on the information in Steps 1, 2 & 3, we will recommend changes to existing managers/investments and also recommend new managers/investments to help the portfolio maximize after tax returns for a given level of risk.
- **Step 5 - Provide Insights & Ongoing Guidance On How to Drive Down Overall Investment, Reporting & Implementation Fees and Costs.** Fees matter significantly. We help Family Offices dramatically reduce unnecessary fees and expenses through our unique approach to drive down investment manager, investment advisory, trading and tax costs.

## B.3. Consulting Services

CP may be engaged to provide specified consulting services. During or upon completion of any such services, CP may, if requested by the client, recommend the services of other professionals for implementation purposes. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from CP. However, if a client engages the services of any recommended unaffiliated professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. At all times, the engaged licensed professional[s] (i.e. attorney, accountant, insurance agent, etc.), and not CP, shall be responsible for the quality and competency of the services provided.



**B.4. Retirement Plan Consulting Services**

CP may also provide investment advisory and consulting services to participant directed retirement plans per the terms and conditions of a Retirement Plan Consulting Agreement between CP and the plan. For such engagements, CP may assist the Plan sponsor to select an investment platform from which Plan participants shall make their respective investment choices, and, to the extent engaged to do so, may also provide corresponding education to assist the participants with their decision making process.

**B.5. 401(k) Savings & Retirement Plan Services**

CP provides investment education and advice to eligible employees and participants of 401(k)/profit sharing plans. The firm provides advice on investment choices and strategies through meetings conducted once annually with each of the participant groups.

**B.6. Chicago Partners Optimized Intelligent Portfolio Program****Program Overview**

When consistent with a client's investment objectives, CP may offer portfolio management services through the Chicago Partners Optimized Intelligent Portfolio Program (the "Program"), an automated investment program through which clients are invested in a range of investment strategies CP has constructed and manages, each consisting of a portfolio of exchange-traded funds ("ETFs"), mutual funds and a cash allocation. The client may instruct CP to exclude up to three funds from their portfolio. The client's portfolio is held in a brokerage account opened by the client at Charles Schwab & Co., Inc. ("CS&Co."). CP uses the Institutional Intelligent Portfolios® platform ("Platform"), offered by Schwab Performance Technologies ("SPT"), a software provider to independent investment advisors and an affiliate of CS&Co., to operate the Program. CP is independent of and not owned by, affiliated with, or sponsored or supervised by SPT, CS&Co., or their affiliates (CS&Co., Charles Schwab Bank and their affiliates are collectively referred to as "Schwab").

CP, and not Schwab, is the client's investment adviser and primary point of contact with respect to the Program. As between CP and Schwab, CP is solely responsible, and Schwab is not responsible, for determining the appropriateness of the Program for the client, choosing a suitable investment strategy and portfolio for the client's investment needs and goals, and managing that portfolio on an ongoing basis. CP has contracted with SPT to provide CP with the Platform, which consists of technology and related trading and account management services for the Program. The Platform enables CP to make the Program available to clients online and includes a system

that automates certain key parts of its investment process (the "System"). The System includes an online questionnaire that helps CP determine the client's investment objectives and risk tolerance and select an appropriate investment strategy and portfolio. Clients should note that CP will recommend a portfolio through the System in response to the client's answers to the online questionnaire. The client may then indicate an interest in a portfolio that is one level less or more conservative or aggressive than the recommended portfolio, but CP then makes the final decision and selects a portfolio based on all the information it has about the client. The System also includes an automated investment engine through which CP manages the client's portfolio on an ongoing basis through automatic rebalancing and tax-loss harvesting (if the client is eligible and elects).

CP charges clients a fee for its services as described below under Item 5. CP's fees are not set or supervised by Schwab. Clients do not pay brokerage commissions or any other fees to CS&Co. as part of the Program. Schwab does receive other revenues in connection with the Program, which are described in the "Compensation to Schwab Under the Program" section below. CP does not pay SPT fees for the Platform

Clients enrolled in the Program are limited in the universe of investment options available to them. For example, the investment options available are limited to ETFs, mutual funds and cash whereas CP recommends various other types of securities in its other services. The Program is designed to provide guidance and professional assistance to individuals who are beginning the process of accumulating wealth. Clients will have access to their accounts and a financial interface online but will also have the opportunity to confer with CP with respect to their account.

### **Rebalancing**

The System will rebalance a client's account periodically by generating instructions to CS&Co. to buy and sell shares of funds and depositing or withdrawing funds through the "Sweep Program", considering the asset allocation for the client's investment strategy. Rebalancing trade instructions can be generated by the System when (i) the percentage allocation of an asset class varies by a set parameter established by CP, (ii) CP decides to change asset allocation percentages for an investment strategy or (iii) CP decides to change a client's investment strategy, which could occur, for example, when a client makes changes to their investment profile or imposes or modifies restrictions on the management of their account.

### **Compensation to Schwab Under the Program**

Clients do not pay fees to SPT or brokerage commissions or other fees to CS&Co. as part of the Program. Schwab does receive other revenues, including (i) the profit earned by Charles Schwab Bank, a Schwab affiliate, on the allocation to the Schwab Intelligent Portfolios Sweep Program described in the Schwab Intelligent Portfolios Sweep Program Disclosure Statement; (ii) investment advisory and/or administrative service fees (or unitary fees) received by Charles Schwab Investment Management, Inc., a Schwab affiliate, from Schwab ETFs™ Schwab Funds® and Laudus Funds® that CP selects to buy and hold in the client's brokerage account; (iii) fees received by Schwab from third-party ETFs that participate in the Schwab ETF OneSource™ program and mutual funds in the Schwab Mutual Fund Marketplace® (including certain Schwab Funds and Laudus Funds) in the client's brokerage account for services Schwab provides; and (iv) remuneration Schwab may receive from the market centers where it routes ETF trade orders for execution.

## **B.7 Affiliated Private Funds**

CP is the investment adviser to The Diversified Income Fund LLC ("DIF", or the "Income Fund") and The Diversified Equity Fund LLC ("DEF" or the "Equity Fund" ) which are unregistered investment companies organized as limited liability corporations. CP is affiliated with each of these funds and CP's Principal, James Hagedorn, serves as the General Partner to each fund. The complete description of each fund (including the terms, conditions, risks, conflicts and fees) is set forth in the respective fund's offering documents.

The DEF Fund's investment objective is maximum capital growth during periods of favorable market conditions. During periods of uncertain market conditions, the Fund seeks to preserve capital. The Equity Fund will attempt to realize its investment objective primarily through investments in equity securities of U.S. companies, mutual funds and exchange-traded funds. The Equity Fund may also invest in foreign equity securities, U.S. and foreign debt securities and other investment instruments. The Equity Fund may also invest in other private investment funds.

The DIF Fund's investment objective is maximum capital growth and income during periods of favorable market conditions. During periods of uncertain market conditions, the Income Fund seeks to preserve capital. The Income Fund will attempt to realize its investment objective primarily through investments in fixed income securities issued by U.S. companies. The Income Fund may also invest in U.S. equity securities, foreign debt securities and other investment instruments.

CP, on a non-discretionary basis, may recommend that qualified clients consider allocating a portion of their investment assets to either Fund. The terms and conditions for participation in the affiliated funds, including management and incentive fees, conflicts of interest, and risk factors,

are set forth in each Fund's offering documents. CP's clients are under absolutely no obligation to consider or make an investment in a private investment fund(s).

In providing advisory services to the private funds, CP directs and manages the investment and reinvestment of the private fund's assets and provides reports to investors (through the private funds' administrator). CP manages the assets of each private fund in accordance with the terms of its governing documents.

Please Note: Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in the fund's offering documents, which will be provided to each client for review and consideration. Unlike other liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client that elects to invest in the private funds will be required to complete a Subscription Agreement, pursuant to which the client shall establish that the client is qualified to invest in the private fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

Please Also Note: Valuation: In the event that CP references Investment Partnerships in any account reports prepared by CP, the value(s) for all private funds owned by the investor shall reflect the most recent valuation provided by the general partner. If the general partner does not provide a post-purchase valuation, then the valuation shall reflect the initial purchase price (and/or a value as of a previous date) or the current value(s) (either the initial purchase price and/or the most recent valuation provided by the general partner). If the valuation reflects the initial purchase price (and/or a value as of a previous date), then the current value(s) (to the extent ascertainable) could be significantly more or less than the original purchase price. The client's advisory fee shall be based upon such reflected fund value(s).

Because CP earns compensation from affiliated private funds, CP's advisory fee may, indirectly, exceed the fee that it would earn under its standard "assets under management" fee schedule referenced in Item 5A below. CP will not assess its standard advisory fee on Fund positions within client accounts. The recommendation that a client become an investor in an affiliated private fund could present a conflict of interest. No client is under any obligation to become an investor in any CP-sponsored fund. **CP's Chief Compliance Officer, James Hagedorn, remains available to address any questions regarding this potential conflict of interest.**

## B.8. Miscellaneous

**Limitations of Financial Planning and Consulting/Implementation Services.** As indicated above, to the extent requested by the client, CP may provide financial planning and related consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. CP will generally provide such consulting services inclusive of its advisory fee set forth at Item 5 below (exceptions could occur based upon assets under management, special projects, stand-alone planning engagements, etc. for which Firm may charge a separate or additional fee). **Please Note.** CP believes that it is important for the client to address financial planning issues on an ongoing basis. CP's advisory fee, as set forth at Item 5 below, will remain the same regardless of whether or not the client determines to address financial planning issues with CP. CP does not serve as a law firm or accounting firm, and no portion of its services should be construed as legal or accounting services. Neither CP nor its investment adviser representatives assist clients with the implementation of any financial plan, unless they have agreed to do so in writing. Accordingly, CP does not prepare estate planning documents or tax returns. In addition, CP does not monitor a client's financial plan, and it is the client's responsibility to revisit the financial plan with CP, if desired. To the extent requested by a client, CP may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance agents, etc.), including representatives of CP in their separate individual capacities as licensed insurance agents or attorneys. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from CP and/or its representatives.

If the client engages any recommended unaffiliated professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. At all times, the engaged licensed professional[s] (i.e. attorney, accountant, insurance agent, etc.), and not CP, shall be responsible for the quality and competency of the services provided. **Conflict of Interest:** The recommendation by a CP representative that a client engage the services of a CP representative in his/her separate and individual capacity as an insurance agent or attorney, presents a conflict of interest, as the receipt of compensation for such services may provide an incentive to recommend such services based on compensation to be received, rather than on a particular client's need. No client is under any obligation to utilize the services of such affiliated professionals. Clients are reminded that they may implement CP's recommendations through other, non-affiliated professionals. CP's Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.

**Please Note: Fee Differentials.** As discussed above and indicated below at Item 5, CP shall generally price our advisory services [or If a client determines to engage CP to provide discretionary investment advisory services on a fee-only basis] CP's annual investment advisory fee, which generally ranges between 0.35% and 1.25%, based upon various objective and subjective factors. As a result, our clients could pay diverse fees based upon the market value of their assets, the complexity of the engagement, and the level and scope of the overall

investment advisory services to be rendered, and client negotiations. (See also Fee Differential discussion above). As a result of these factors, similarly situated clients could pay diverse fees, and the services to be provided by CP to any particular client could be available from other advisers at lower fees. All clients and prospective clients should be guided accordingly. Before engaging CP to provide investment advisory services, clients are required to enter into a discretionary or non-discretionary Investment Advisory Agreement, setting forth the terms and conditions of the engagement (including termination), which describes the fees and services to be provided. **ANY QUESTIONS:** CP's Chief Compliance Officer, James Hagedorn, remains available to address any questions regarding Fee Differentials.

**Schwab Advisor Network®.** CP receives client referrals from Charles Schwab & Co., Inc. through its participation in the Schwab Advisor Network®. CP's participation may raise potential conflicts of interest described below. **See** disclosure at Items 12 and 14 below.

**Retirement Rollovers-Conflict of Interest:** A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If CP recommends that a client roll over their retirement plan assets into an account to be managed by CP, such a recommendation creates a conflict of interest if CP will earn new (or increase its current) compensation as a result of the rollover. No client is under any obligation to roll over retirement plan assets to an account managed by CP.

**Unaffiliated Private Investment Funds.** In limited situations, CP may provide investment advice regarding unaffiliated private investment funds. CP's role relative to the private investment funds shall be limited to its initial and ongoing due diligence and investment monitoring services. If a client determines to become a private fund investor, the amount of assets invested in the fund(s) shall be included as part of "assets under management" for purposes of CP calculating its investment advisory fee. CP's clients are under absolutely no obligation to consider or make an investment in a private investment fund(s).

Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be

required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

Valuation. In the event that CP references private investment funds owned by the client on any supplemental account reports prepared by CP, the value(s) for all private investment funds owned by the client shall reflect the most recent valuation provided by the fund sponsor. The current value of any private investment fund could be significantly more or less than the original purchase price or the price reflected in any supplemental account report.

**Independent Managers.** CP may allocate (and/or recommend that the client allocate) a portion of a client's investment assets among unaffiliated independent investment managers ("Independent Manager(s)") in accordance with the client's designated investment objective(s). In such situations, the Independent Manager(s) will have day-to-day responsibility for the active discretionary management of the allocated assets. CP will continue to render investment supervisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. The CP generally considers the following factors when recommending Independent Manager(s): the client's designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research. The investment management fees charged by the designated Independent Manager(s) are exclusive of, and in addition to, CP's ongoing investment advisory fee, which will be disclosed to the client before entering into the Independent Manager engagement and/or subject to the terms and conditions of a separate agreement between the client and the Independent Manager(s).

**Margin Accounts: Risks/Conflict of Interest.** CP does not recommend the use of margin for investment purposes. A *margin account* is a brokerage *account* that allows investors to borrow money to buy securities. By using borrowed funds, the customer is employing leverage that will magnify both account gains and losses. The broker charges the investor interest for the right to borrow money and uses the securities as collateral. Should a client determine to use margin, CP will include the entire market value of the margined assets when computing its advisory fee. Accordingly, CP's fee shall be based upon a higher margined account value, resulting in CP earning a correspondingly higher advisory fee. As a result, the potential of conflict of interest arises since CP may have an economic disincentive to recommend that the client terminate the



use of margin. **ANY QUESTIONS: Our Chief Compliance Officer, James Hagedorn, remains available to address any questions that a client or prospective client may have regarding the use of margin.**

**Use of Mutual Funds and Exchange Traded Funds:** While CP may allocate investment assets to mutual funds and exchange traded funds ("ETFs") that are not available directly to the public, CP may also allocate investment assets to publicly-available mutual funds and ETFs that the client could purchase without engaging CP as an investment adviser. However, if a client or prospective client determines to purchase publicly-available mutual funds without engaging CP as an investment adviser, the client or prospective client would not receive the benefit of CP's initial and ongoing investment advisory services with respect to management of that asset. Other mutual funds, such as those issued by Dimensional Fund Advisors ("DFA"), are generally only available through selected registered investment advisers. CP may allocate client investment assets to DFA mutual funds. Therefore, upon the termination of CP's services to a client, restrictions regarding transferability and/or additional purchases of, or reallocation among DFA funds will apply.

**Liquidity Constraints.** CP may utilize mutual funds and/or exchange traded funds that, although publicly traded, do not provide daily liquidity. Rather, such funds generally provide liquidity on a quarterly basis. Therefore, if CP determined that the fund was no longer performing or if the client determined to transfer his/her account, the fund could not be sold or transferred immediately. Rather, sale or transfer would need to await the quarterly permitted sale date. Moreover, the eventual net asset value for the fund could be substantially different (positive or negative) than the fund value on the date that the sale was requested. There can be no assurance that any such strategy will prove profitable or successful.

**Structured Notes.** CP may purchase structured notes for client accounts. A structured note is a financial instrument that combines two elements, a debt security and exposure to an underlying asset or assets. It is essentially a note, carrying counter party risk of the issuer. However, the return on the note is linked to the return of an underlying asset or assets (such as the S&P 500 Index or commodities). It is this latter feature that makes structured products unique, as the payout can be used to provide some degree of principal protection, leveraged returns (but usually with some cap on the maximum return), and be tailored to a specific market or economic view. In addition, investors may receive long-term capital gains tax treatment if certain underlying conditions are met and the note is held for more than one year. Finally, structured notes may also have liquidity constraints, such that the sale thereof before maturity may be limited.



**Interval Funds/Risks and Limitations:** Where appropriate, CP may utilize interval funds. An interval fund is a non-traditional type of closed-end mutual fund that periodically offers to buy back a percentage of outstanding shares from shareholders. Investments in an interval fund involve additional risk, including lack of liquidity and restrictions on withdrawals. During any time periods outside of the specified repurchase offer window(s), investors will be unable to sell their shares of the interval fund. There is no assurance that an investor will be able to tender shares when or in the amount desired. There can also be situations where an interval fund has a limited amount of capacity to repurchase shares, and may not be able to fulfill all purchase orders. In addition, the eventual sale price for the interval fund could be less than the interval fund value on the date that the sale was requested. While an interval fund periodically offers to repurchase a portion of its securities, there is no guarantee that investors may sell their shares at any given time or in the desired amount. As interval funds can expose investors to liquidity risk, investors should consider interval fund shares to be an illiquid investment. Typically, the interval funds are not listed on any securities exchange and are not publicly traded. Thus, there is no secondary market for the fund's shares. Because these types of investments involve certain additional risk, these funds will only be utilized when consistent with a client's investment objectives, individual situation, suitability, tolerance for risk and liquidity needs. Investment should be avoided where an investor has a short-term investing horizon and/or cannot bear the loss of some, or all, of the investment. There can be **no assurance** that an interval fund investment will prove profitable or successful. **In light of these enhanced risks, a client may direct CP, in writing, not to employ any or all such strategies for the client's account.**

**Portfolio Activity.** CP has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, CP will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including, but not limited to, investment performance, manager tenure, style drift, and/or a change in the client's investment objective. Based upon these factors, there may be extended periods of time when CP determines that changes to a client's portfolio are neither necessary nor prudent. Of course, as indicated below, there can be no assurance that investment decisions made by CP will be profitable or equal any specific performance level(s). Clients nonetheless remain subject to the fees described in Item 5 below during periods of account inactivity.

**Custodian Charges-Additional Fees.** As discussed below at Item 12 below, when requested to recommend a broker-dealer/custodian for client accounts, CP generally recommends that *Schwab*, *TD Ameritrade* or *Fidelity* serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Schwab*, *TD Ameritrade* and *Fidelity* charge brokerage commissions, transaction, and/or other type fees for effecting certain types of securities transactions (i.e., including transaction fees for certain mutual funds, and mark-ups and mark-downs charged for fixed income transactions, etc.). The types of securities for which transaction fees, commissions, and/or other type fees (as well as the amount of those fees) shall differ depending upon the broker-dealer/custodian (while certain custodians, including *Schwab*, *TD Ameritrade* and *Fidelity*, do not currently charge fees on individual equity transactions, others do). These fees/charges are in addition to CP's investment advisory fee at Item 5 below. CP does not receive any portion of these fees/charges. **ANY QUESTIONS: CP's Chief Compliance Officer, James Hagedorn, remains available to address any questions that a client or prospective client may have regarding the above.**

**Non-Discretionary Service Limitations.** Clients that determine to engage CP on a non-discretionary investment advisory basis must be willing to accept that CP cannot effect any account transactions without obtaining prior consent to any such transaction(s) from the client. Therefore, in the event that CP would like to make a transaction(s) for a client's account (including in the event of an individual holding or general market correction), and the client is unavailable, CP will be unable to effect the account transaction(s) (as it would for its discretionary clients) without first obtaining the client's consent.

**Account Aggregation Services.** In conjunction with the services provided by ByAllAccounts, Inc., eMoney Advisor ("eMoney") and or Orion Advisor Services ("Orion"), CP may provide its clients with access to an online platforms hosted by third-party vendors. These platforms allow a client to view their complete asset allocation, including those assets that CP does not manage (the "Excluded Assets"). CP does not provide investment management, monitoring, or implementation services for the Excluded Assets. Additionally, the eMoney platform also provides access to other types of information, including financial planning concepts, which should not, in any manner whatsoever, be construed as services, advice, or recommendations provided by CP. The client and/or their other advisors that maintain trading authority, and not CP, shall be exclusively responsible for the investment performance of the Excluded Assets. Without limiting the above, CP shall not be responsible for any implementation error (timing, trading, etc.) relative to the Excluded Assets. In the event the client desires that CP provides investment management services with respect to the Excluded Assets, the client may engage CP to do so pursuant to the terms and conditions of the Investment Advisory Agreement between CP and the client.

**Client Obligations.** In performing our services, CP shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains their responsibility to promptly notify us if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising our previous recommendations and/or services.

### **C. CP's Investment Philosophy**

The firm shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, CP shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at any time, impose reasonable restrictions, in writing, on the firm's services.

### **D. Wrap Fee Programs**

CP does not participate in wrap fee programs. (Wrap fee programs offer services for one all-inclusive fee.)

### **E. Client Assets Under Management**

As of December 31, 2020, CP managed approximately \$2,962,603,590 in assets under management. \$2,149,433,064 of that total is managed on a discretionary basis and \$813,170,526 is managed on a non-discretionary basis.

**Item 5. Fees and Compensation****A. Methods of Compensation and Fee Schedule****A.1. Asset-Based Fee Schedule**

CP provides discretionary and/or non-discretionary investment advisory services on a fee basis. CP's annual investment advisory fee shall be based upon a percentage (%) of the market value and type of assets placed under CP's management, generally between 0.3% and 1.25%. CP's annual investment advisory fee shall be based upon various objective and subjective factors, including, but not limited to, the amount of the assets placed under CP's direct management, the complexity of the engagement, and the level and scope of the overall investment advisory services to be rendered. Before engaging CP to provide investment advisory services, clients are required to enter into a discretionary or non-discretionary Investment Advisory Agreement, setting forth the terms and conditions of the engagement (including termination), which describes the fees and services to be provided.

CP, in its sole discretion, may charge a lesser investment management fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.). As a result, CP's clients could pay diverse fees based upon the market value of their assets, the complexity of the engagement, and the level and scope of the overall financial planning and/or consulting services to be rendered. The services to be provided by CP to any particular client could be available from other advisers at lower fees.

Asset-based fees are always subject to the investment advisory agreement between the client and CP. Fees are paid quarterly in advance or arrears. Fees may be negotiable for accounts with unusual investment management requirements, services offered, and size. The majority of our clients have their fees deducted from their portfolio, although we have a few clients that pay by check. The fees will be prorated if the investment advisory relationship commences otherwise than at the beginning of a calendar month.

Either party can terminate the agreement at any time upon written notice. Upon termination of any account, any unearned, prepaid fees will be refunded, and any earned, unpaid fees will be due and payable. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

Minimum Fee. CP imposes a \$5,000 annual minimum fee for investment management services. Minimum Account Size. For new clients, the minimum account size is \$1 million. CP, in its sole discretion, will waive the account size minimum if circumstances warrant it.

## **A.2. Consulting Fees**

Consulting services clients will be charged a mutually agreed upon fixed fee. Invoices will be mailed out on a periodic basis reflecting completed work performed. Clients seeking to terminate this service must do so in writing.

## **A.3. Retirement Plan Consulting Services**

Fees are negotiated on a case-by-case basis with the client.

## **A.4. 401(k) Savings & Retirement Plan Service**

Fees are negotiable on a case-by-case basis with the client.

## **A.5. Investment Companies Fees**

Fees paid to CP are exclusive of all custodial and transaction costs paid to account custodians or brokers. The client should review all fees charged by mutual funds, CP and others to fully understand the total amount of fees to be paid by the client.

## **A.6. Investment Advisory Fees**

If the client determines to engage CP to provide investment advisory services, CP's annual investment advisory fee shall vary (generally, up to 1.25%) based upon various factors, including the total amount of assets placed under management/advisement. **Please Note: Fee Differentials.** Because we shall generally price our advisory services based upon various objective and subjective factors, our clients could pay diverse fees based upon a combination of factors, including but not limited to the market value of their assets, the complexity of the engagement, the level and scope of the overall investment advisory services to be rendered, and negotiations, similarly situated clients could pay diverse fees, and the services to be provided by CP to any particular client could be available from other advisers at lower fees (***Also See*** Item 7 below) All clients and prospective clients should be guided accordingly. **ANY QUESTIONS:** Registrant's Chief Compliance Officer, James Hagedorn, remains available to address any questions regarding Fee Differentials.

**CP Optimized Intelligent Portfolios Platform**

CP is compensated for its advisory services by charging an annual fee of 0.60% on the net market value of a Client's Account valued at \$1,000,000 or greater. For Platform accounts valued at less than \$1,000,000, CP's annual fee shall be 0.65% . This fee is payable quarterly in advance based upon the market value of the managed assets at the end of the previous quarter.

CP reserves the right, in its sole discretion, to negotiate, reduce or waive the advisory fee for certain Client Accounts for any period of time determined solely by CP. In addition, CP may reduce or waive its fees for the Accounts of some Clients without notice to, or fee adjustment for, other clients. The issuer of some of the securities or products CP purchase for Program clients, such as ETFs, may charge separate product fees.

As described in *Item 4 Advisory Business*, clients do not pay fees to SPT or brokerage commissions or other fees to CS&Co. as part of the Program. Schwab does receive other revenues, including (i) the profit earned by Charles Schwab Bank, SSB, a Schwab affiliate, on the allocation to the Schwab Intelligent Portfolios Sweep Program described in the Schwab Intelligent Portfolios Sweep Program Disclosure Statement; (ii) investment advisory and/or administrative service fees (or unitary fees) received by Charles Schwab Investment Management, Inc., a Schwab affiliate, from Schwab ETFs™ Schwab Funds® and Laudus Funds® that we select to buy and hold in the client's brokerage account; (iii) fees received by Schwab from mutual funds in the Schwab Mutual Fund Marketplace® (including certain Schwab Funds and Laudus Funds) in the client's brokerage account for services Schwab provides; and (iv) remuneration Schwab receives from the market centers where it routes ETF trade orders for execution.

Brokerage arrangements are further described below in *Item 12 Brokerage Practices*.

**CP Private Fund Fees**

CP, as manager to the DIF and DEF Funds, receives a monthly management fee (billed in arrears) of 0.05416% (0.65% annually), which fee is based on the ending net asset value of each Member's Capital Account. Please refer to each Fund's Private Placement Memorandum for additional information on Fund fees and costs.

**B. Asset-Based Fee Service**

CP will not take custody or possession of client funds or securities at any time except to the extent that CP may deduct fees directly from the client's account. CP will deduct fees directly from the client's account provided that (i) the client provides written authorization, and (ii) the qualified

custodian sends the client a statement, at least quarterly, indicating all amounts disbursed from the account.

In certain instances, subject to approval by CP, clients may elect to be billed for services rendered. In such cases the fees will be billed quarterly. In the event of termination any unearned, prepaid fees will be immediately due and payable and any earned, unpaid fees will be immediately due and payable.

The client is responsible for verifying the accuracy of the fee calculation, as the client's custodian will not verify the calculation.

### **C. Additional Client Fees Charged**

The fees charged by CP do not include fees charged by any mutual fund or separate account manager selected by the client. Similarly, the fees charged by CP do not include any fees charged by a broker-dealer or custodian retained by a client to implement CP's advice or to otherwise hold the client's portfolio securities. The management fees for investment managers are generally disclosed in each investment manager's disclosure brochure and brochure supplement or, in the case of a mutual fund, the fund's prospectus. Clients are advised to read these materials carefully before investing. If a mutual fund also imposes sales charges, a client may pay an initial or deferred sales charge as further described in the mutual fund's prospectus. A client may be precluded from using certain mutual funds or separate account managers because they may not be offered by the client's custodian. See Item 12 of this Brochure for a more detailed discussion on brokerage arrangements.

**Tradeaway/Prime Broker Fees.** When in the reasonable determination of CP that it would be beneficial for the client, individual fixed income transactions may be effected through broker-dealers other than the account custodian, in which event, the client generally will incur both the fee (commission, mark-up/mark-down) charged by the executing broker-dealer and a separate "tradeaway" and/or prime broker fee charged by the account custodian (i.e., Schwab, Fidelity and/or TD).

### **D. Prepayment of Client Fees**

CP generally requires the prepayment of its asset-based investment advisory fees on a quarterly basis. If the client terminates during the quarter, CP will promptly refund any prepaid, unearned fees. CP's fees will either be paid directly by the client or disbursed to CP by the qualified custodian of the client's investment accounts, subject to prior written consent of the client. The qualified

custodian will deliver directly to the client an account statement, at least quarterly, showing all investment and transaction activity for the period, including fee disbursements from the account.

In certain instances, subject to approval by CP, clients may elect to be billed for services rendered. In such cases the fees will be billed quarterly. In the event of termination any unearned, prepaid fees will be immediately due and payable and any earned, unpaid fees will be immediately due and payable.

CP or the client may terminate the agreement for services within five days of the date of acceptance without penalty to the client. After the five-day period, either party, upon written notice to the other, may terminate the agreement. In the event of termination, CP's fees will be prorated for the quarter in which the cancellation notice was given, and any prepaid, unearned fees will be refunded to the client.

#### **E. External Compensation for the Sale of Securities to Clients**

CP advisory professionals are compensated solely through a salary and bonus structure. CP is not paid any sales, service or administrative fees for the sale of mutual funds or any other investment products with respect to managed advisory assets.



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

CP does not charge performance based fees and therefore has no economic incentive to manage clients' portfolios in any way other than what is in the clients' best interests.

## Item 7. Types of Clients

CP offers investment advisory services to high-net-worth individuals, trusts, not-for-profit plans, endowments, charitable organizations, corporations, other business entities, and registered investment companies.

Investors evaluating CP's software-based investment advisory service should be aware that CP's relationship with Clients is likely to be different from the "traditional" investment advisory relationship in several aspects:

Each Client in the CP Optimized Intelligent Portfolio Program must acknowledge their ability and willingness to conduct their relationship with CP on an electronic basis. Under the terms of the Advisory Client Agreement and the Brokerage Agreement, each Client agrees to receive all Account information and Account documents (including this Brochure) and any updates or changes to same, through their access to the Platform site and CP's electronic communications. Unless noted otherwise on the Site or within this Brochure, CP's investment advisory service, brokerage and custodial documentation, the signature for the Advisory Client Agreement and the Brokerage Agreement, and all documentation related to the advisory services is managed electronically.

Clients eligible to enroll in the Program include individuals, IRAs, and revocable living trusts. Clients that are organizations (such as corporations and partnerships) or government entities, and clients that are subject to the Employee Retirement Income Security Act of 1974, are not eligible for the Program. The minimum investment required to open or convert an account in the Program is \$5,000. The minimum account balance to enroll in the tax-loss harvesting feature is \$50,000.

CP also makes individual representatives available to discuss servicing matters with Clients.

**ANY QUESTIONS: Our Chief Compliance Officer, James Hagedorn, remains available to address any questions that a client or prospective client may have regarding this information.**

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

**Investing in securities, especially common stocks, involves significant risk of loss and Clients should be prepared to bear this loss.**

CP advocates a long-term investment approach is the best strategy for its clients. Long term is defined by holding securities for at least one year. There will be some conditions when CP will advise its clients to hold securities for less than one year. CP believes the strategy of being globally diversified is critical to achieving long-term success in the capital markets. There is no guarantee this strategy will work in the future.

Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by CP) will be profitable or equal any specific performance level(s).

CP primarily uses fundamental analysis when evaluating investments. The main sources of information are research materials prepared by others and research prepared by CP. CP uses a variety of sources of data to conduct its economic, investment and market analysis, such as financial newspapers and magazines, economic and market research materials prepared by others, conference calls hosted by mutual funds, corporate rating services, annual reports, prospectuses, and company press releases. It is important to keep in mind that there is no specific approach to investing that guarantees success or positive returns; investing in securities involves risk of loss that clients should be prepared to bear.

CP and its investment adviser representatives are responsible for identifying and implementing the methods of analysis used in formulating investment recommendations to clients. The methods of analysis may include quantitative methods for optimizing client portfolios, computer-based risk/return analysis, technical analysis, and statistical and/or computer models utilizing long-term economic criteria.

- Optimization involves the use of mathematical algorithms to determine the appropriate mix of assets given the firm's current capital market rate assessment and a particular client's risk tolerance.
- Quantitative methods include analysis of historical data such as price and volume statistics, performance data, standard deviation and related risk metrics, how the security performs

relative to the overall stock market, earnings data, price to earnings ratios, and related data.

- Technical analysis involves charting price and volume data as reported by the exchange where the security is traded to look for price trends.
- Computer models may be used to derive the future value of a security based on assumptions of various data categories such as earnings, cash flow, profit margins, sales, and a variety of other company specific metrics.

CP may employ independent third parties to work in conjunction with its executive management team to provide input and guidance for the investment direction communicated by the firm. Such third-party providers will function as a de facto investment committee. In addition, CP may utilize third-party software to assist in formulating investment recommendations to clients.

## **A.2. Mutual Funds and Exchange-Traded Funds (“ETFs”), Individual and Fixed-Income Securities, Separate Account Managers**

CP may recommend no-load and load-waived mutual funds and individual securities (including fixed income instruments). Such management styles will include, among others, large-cap, mid-cap, and small-cap value, growth, and core; international and emerging markets; and alternative investments. CP may also assist the client in selecting one or more appropriate manager(s) for all or a portion of the client’s portfolio. Such managers will typically manage assets for clients who commit to the manager a minimum amount of assets established by that manager—a factor that will be taken into account when recommending managers to clients.

A description of the criteria to be used in formulating an investment recommendation for mutual funds, ETFs, individual securities (including fixed-income securities), and managers is set forth below.

CP has formed relationships with third-party vendors that

- provide a technological platform for separate account management
- prepare performance reports
- perform due diligence monitoring of mutual funds and managers
- perform billing and certain other administrative tasks

CP may utilize additional independent third parties to assist in recommending and monitoring individual securities, mutual funds, and managers to clients as appropriate under the circumstances.

CP reviews certain quantitative and qualitative criteria related to mutual funds and managers to formulate investment recommendations to its clients. Quantitative criteria may include

- the performance history of a mutual fund or manager evaluated against that of its peers and other benchmarks
- an analysis of risk-adjusted returns
- an analysis of the manager's contribution to the investment return (e.g., manager's alpha), standard deviation of returns over specific time periods, sector and style analysis
- the fund, sub-advisor, or manager's fee structure
- the relevant portfolio manager's tenure

Qualitative criteria used in recommending mutual funds or managers include the investment objectives and/or management style and philosophy of a mutual fund or manager; a mutual fund or manager's consistency of investment style; and employee turnover and efficiency and capacity. CP will discuss relevant quantitative and qualitative factors pertaining to its recommendations with clients prior to a client's determination to retain a mutual fund or manager.

Quantitative and qualitative criteria related to mutual funds and managers are reviewed by CP on a quarterly basis or such other interval as mutually agreed upon by the client and CP. In addition, mutual funds or managers are reviewed to determine the extent to which their investments reflect efforts to time the market, or evidence style drift such that their portfolios no longer accurately reflect the particular asset category attributed to the mutual fund or manager identified by CP (both of which are negative factors in implementing an asset allocation structure). Based on its review, CP will make recommendations to clients regarding the retention or discharge of a mutual fund or manager.

CP may negotiate reduced account minimum balances and reduced fees with managers under various circumstances (e.g., for clients with minimum level of assets committed to the manager for specific periods of time, etc.). There can be no assurance that clients will receive any reduced account minimum balances or fees, or that all clients, even if apparently similarly situated, will receive any reduced account minimum balances or fees available to some other clients. Also, account minimum balances and fees may significantly differ between clients. Each client's individual needs and circumstances will determine portfolio weighting, which can have an impact on fees given the funds or managers utilized. CP will endeavor to obtain equal treatment for its clients with funds or managers, but cannot assure equal treatment.

CP will regularly review the activities of mutual funds and managers selected by the client. Clients that engage managers or who invest in mutual funds should first review and understand the

disclosure documents of those managers or mutual funds, which contain information relevant to such retention or investment, including information on the methodology used to analyze securities, investment strategies, fees, and conflicts of interest.

### **A.3. Material Risks of Investment Instruments**

CP will frequently purchase shares of open-end mutual funds and ETFs. Many of these investments can be purchased directly by clients without utilizing the services of an advisor. Registered investment companies charge their own management fees and expenses. These fees and expenses are detailed in each respective mutual fund's prospectus and are in addition to any fees charged by CP.

In addition to purchasing shares of mutual funds and ETFs, CP may effect transactions in the following types of securities:

- Equity securities
- Mutual fund securities
- Exchange-traded funds
- Fixed income securities
- Corporate debt securities, commercial paper, and certificates of deposit
- Municipal securities

#### **A.3.a. Equity Securities**

Investing in individual companies involves inherent risk. The major risks relate to the company's capitalization, quality of the company's management, quality and cost of the company's services, the company's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk, and the company's ability to create shareholder value (i.e., increase the value of the company's stock price). Foreign securities, in addition to the general risks of equity securities, have geopolitical risk, financial transparency risk, currency risk, regulatory risk and liquidity risk.

Investments in warrants and rights involve certain risks, including the possible lack of a liquid market for the resale of the warrants and rights, potential price fluctuations due to adverse market conditions or other factors and failure of the price of the common stock to rise. If the warrant is not exercised within the specified time period, it becomes worthless.

### **A.3.b. Mutual Fund Securities**

Investing in mutual funds carries inherent risk. The major risks of investing in a mutual fund include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification, and the type and amount of sector diversification within specific industries. In addition, mutual funds can be tax inefficient in certain circumstances, which may result in clients paying capital gains taxes on fund investments while not having yet sold the fund.

### **A.3.c. Exchange-Traded Funds ("ETFs")**

ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. Some examples of ETFs are SPDRs<sup>®</sup>, streetTRACKS<sup>®</sup>, DIAMONDS<sup>SM</sup>, NASDAQ 100 Index Tracking Stock<sup>SM</sup> ("QQQs<sup>SM</sup>"), iShares<sup>®</sup> and VIPERs<sup>®</sup>. The funds could purchase an ETF to gain exposure to a portion of the U.S. or foreign market. The funds, as a shareholder of another investment company, will bear their pro-rata portion of the other investment company's advisory fee and other expenses, in addition to their own expenses.

Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Also, ETFs require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral, and the liquidity of the supporting collateral.

Further, the use of leverage (i.e., employing the use of margin) generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility and liquidity risk. Volatility and liquidity can severely and negatively impact the price of the ETF's underlying portfolio securities, thereby causing significant price fluctuations of the ETF.

### **A.3.d. Fixed Income Securities, Corporate Debt, Commercial Paper, and Certificates of Deposit**

Fixed income securities carry additional risks than those of equity securities described above. These risks include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S or foreign) and currency risk. If bonds have maturities of 10 years or greater, they will

likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds also have liquidity and currency risk.

Commercial paper and certificates of deposit are generally considered safe instruments, although they are subject to the level of general interest rates, the credit quality of the issuing bank, and the length of maturity. With respect to certificates of deposit, depending on the length of maturity there can be prepayment penalties if the client needs to convert the certificate of deposit to cash prior to maturity.

### **A.3.e. Municipal Securities**

Municipal securities carry additional risks than those of corporate and bank-sponsored debt securities described above. These risks include the municipality's ability to raise additional tax revenue or other revenue (in the event the bonds are revenue bonds) to pay interest on its debt and to retire its debt at maturity. Municipal bonds are generally tax free at the federal level, but may be taxable in individual states other than the state in which both the investor and municipal issuer is domiciled.

## **B. Investment Strategy and Method of Analysis Material Risks**

### **B.1. Margin Leverage**

Although CP, as a general business practice, does not utilize leverage, there may be instances in which exchange-traded funds, other separate account managers and, in limited circumstances, CP will utilize leverage. In this regard please review the following:

The use of margin leverage enhances the overall risk of investment gain and loss to the client's investment portfolio. For example, investors are able to control \$2 of a security for \$1. So if the price of a security rises by \$1, the investor earns a 100% return on their investment. Conversely, if the security declines by \$.50, then the investor loses 50% of their investment.

The use of margin leverage entails borrowing, which results in additional interest costs to the investor.

Broker-dealers who carry customer accounts require a minimum equity requirement when clients utilize margin leverage. The minimum equity requirement is stated as a percentage of the value of the underlying collateral security with an absolute minimum dollar requirement. For example, if the price of a security declines in value to the point where the excess equity used to satisfy the minimum requirement dissipates, the broker-dealer will require the client to deposit additional collateral to the account in the form of cash or marketable securities. A deposit of securities to the account will require a larger deposit, as the security being deposited is included in the



computation of the minimum equity requirement. In addition, when leverage is utilized and the client needs to withdraw cash, the client must sell a disproportionate amount of collateral securities to release enough cash to satisfy the withdrawal amount based upon similar reasoning as cited above.

Regulations concerning the use of margin leverage are established by the Federal Reserve Board and vary if the client's account is held at a broker-dealer versus a bank custodian. Broker-dealers and bank custodians may apply more stringent rules as they deem necessary.

## **B.2. Short-Term Trading**

Although CP, as a general business practice, does not utilize short-term trading, there may be instances in which short-term trading may be necessary or an appropriate strategy. In this regard, please read the following:

There is an inherent risk for clients who trade frequently in that high-frequency trading creates substantial transaction costs that in the aggregate could negatively impact account performance.

## **B.3. CP Digital Wealth Software Risks**

CP delivers its automated platform investment advisory services entirely through software. Consequently, CP rigorously designs, develops and tests its software extensively before putting such software into production with actual client accounts and assets and periodically monitors the behaviors of such software after its deployment. Notwithstanding this rigorous design, development, testing and monitoring, it is possible that such software may not always perform exactly as intended or as disclosed in this Form ADV Brochure. CP continuously strives to monitor, detect and correct any software that does not perform as expected or as disclosed.

### **Automated Investment Platform**

CP may, through the Program, allocate investment management assets of its client accounts, on a discretionary basis, among one or more asset allocation programs as designated on the Investment Advisory Agreement. CP Models have been designed to comply with the requirements of Rule 3a-4 of the Investment Company Act of 1940. Rule 3a-4 provides similarly managed investment programs, such as CP's models, with a non-exclusive safe harbor from the definition of an investment company. In accordance with Rule 3a-4, the following disclosure is applicable to CP's management of client assets through the Program:

1. Initial Interview – at the opening of the account, CP, through its designated representatives, shall obtain from the client information sufficient to determine the client’s financial situation and investment objectives;
2. Individual Treatment - the account is managed on the basis of the client’s financial situation and investment objectives;
3. Quarterly Notice – at least quarterly CP shall notify the client to advise CP whether the client’s financial situation or investment objectives have changed, or if the client wants to impose and/or modify any reasonable restrictions on the management of the account;
4. Annual Contact – at least annually, CP shall contact the client to determine whether the client’s financial situation or investment objectives have changed, or if the client wants to impose and/or modify any reasonable restrictions on the management of the account;
5. Consultation Available – CP shall be reasonably available to consult with the client relative to the status of the account;
6. Reporting – the client shall have access to reporting at any time through the Program;
7. Ability to Impose Restrictions – the client shall have the ability to impose reasonable restrictions on the management of the account, including the ability to instruct CP not to purchase certain mutual funds;
8. No Pooling – the client’s beneficial interest in a security does not represent an undivided interest in all the securities held by the custodian, but rather represents a direct and beneficial interest in the securities which comprise the account;
9. Separate Account - a separate account is maintained for the client with the Custodian;
10. Ownership – each client retains indicia of ownership of the account (e. g. right to withdraw securities or cash, exercise or delegate proxy voting, and receive transaction confirmations).

#### Risks specific to the Digital Wealth Platform

ETFs in which the strategy may invest involve certain inherent risks generally associated with investments in a portfolio of securities, including the risk that the general level of security prices may decline, thereby adversely affecting the value of each unit of the ETF. Moreover, an ETF may not fully replicate the performance of its benchmark index because of the temporary unavailability of certain index securities in the secondary market or discrepancies between the ETF and the index with respect to the weighting of securities or the number of securities held. ETFs in which the strategies invest have their own fees and expenses as set forth in the ETF prospectuses. ETFs may have exposure to derivative instruments, such as futures contracts, forward contracts, options, and

swaps. There is a risk that a derivative may not perform as expected. The main risk with derivatives is that some types can amplify a gain or loss, potentially earning or losing substantially more money than the actual cost of the derivative, or that the counterparty may fail to honor its contract terms, causing a loss for the ETF. Use of these instruments may also involve certain costs and risks such as liquidity risk, interest rate risk, market risk, credit risk, management risk, and the risk that an ETF could not close out a position when it would be most advantageous to do so. Some ETFs available are less than 10 years old. Accordingly, there is limited data available to use when assessing the investment risk of some of these ETFs. As a result, one or more of the following may occur: (i) poor liquidity in or limited availability of the ETFs, or (ii) lack of market depth causing the ETFs to trade at excessive premiums or discounts.

## **Item 9. Disciplinary Information**

### **A. Criminal or Civil Actions**

There is nothing to report on this item.

### **B. Administrative Enforcement Proceedings**

There is nothing to report on this item.

### **C. Self-Regulatory Organization Enforcement Proceedings**

There is nothing to report on this item.

**Item 10. Other Financial Industry Activities and Affiliations****A. Broker-Dealer or Representative Registration**

Neither CP nor its investment advisor representatives are either registered as broker-dealers or registered representatives of broker-dealers and do not have an application to register pending.

**B. Futures or Commodity Registration**

Neither CP nor its affiliates are registered as a commodity firm, futures commission merchant, commodity pool operator, or commodity trading adviser and do not have an application to register pending.

**C. Material Relationships Maintained by this Advisory Business and Conflicts of Interest**

**Licensed Attorney.** Matthew Grennell is licensed to practice law and is the managing partner at The Law Office of Matthew R. Grennell, which is located at 14277 South Wolf Road, Orland Park, Illinois 60467. To the extent that Mr. Grennell provides legal services to any clients, including clients of CP, all such services shall be performed by The Law Office of Matthew R. Grennell, in its individual professional capacity, independent of CP, for which services CP shall not receive any portion of the fees charged by The Law Office of Matthew R. Grennell, referral or otherwise. It is expected that Mr. Grennell, solely incidental to his practice as attorney, shall recommend CP's services to certain of its clients. The Law Office of Matthew R. Grennell is not involved in providing investment advice on behalf of CP, nor does The Law Office of Matthew R. Grennell hold itself out as providing advisory services on behalf of CP. No client of CP is under any obligation to use the services of The Law Office of Matthew R. Grennell.

**Licensed Insurance Agents.** Certain associated persons of CP, in their individual capacities, are licensed insurance agents of CP Insurance Group, LLC, an insurance agency owned by Michael O'Connor, an investment adviser representative of CP. N&A Guido Group, LLC is owned by Nicholas Guido, an investment adviser representative. Such associated persons may recommend the purchase of insurance-related products on a commission basis. Clients can engage certain of CP's representatives to effect insurance transactions on a commission basis.

Conflict of Interest: Although CP does not receive compensation, the recommendation that a client purchase an insurance commission product from CP Insurance Group, LLC or N&A Guido Group, LLC presents a material conflict of interest, as the receipt of commissions or other compensation by associated persons of CP and/or by the CP-associated owner of the agency may provide an incentive to recommend insurance products based on compensation received. No client is under any obligation to purchase any commission products from CP Insurance Group, LLC or N&A Guido Group, LLC. Clients are reminded that they may purchase insurance products recommended by CP through insurance agents not associated with CP or agencies not owned by associated individuals. CP's Chief Compliance Officer remains available to address any questions that a client or prospective may have regarding the above conflicts of interest.

### **Affiliated Private Fund**

CP is under common control with the General Manager and serves as investment advisor to the affiliated Private Funds noted at Item 4. CP receives a management fee allocation for its services. The Private Funds operate under what is known as the Section 3(c)(1) exemption which requires that all of the eligible investors be "accredited investors" as such term is defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended. The terms and conditions for participation in the Private Fund, including management fees, conflicts of interest, and risk factors, are set forth in the Fund's offering and constituent documents. CP's clients are under no obligation to consider or make an investment in the Private Fund.

Please Note: Clients are charged an investment advisory fee on the fund. As the investment adviser to the Funds, CP shall receive an annual investment advisory fee up to .65% of the net asset value. Please Note: CP does charge individual clients a direct investment advisory fee on assets allocated to its affiliated Funds. The recommendation that a client become an investor in the Private Funds could present a potential conflict of interest. No client is under any obligation to become an investor in the any fund sponsored by CP or any of its affiliates. **CP's Chief Compliance Officer remains available to address any questions regarding this potential conflict of interest.**

### **D. Recommendation or Selection of Other Investment Advisors and Conflicts of Interest**

CP does not receive any remuneration from advisers, investment managers, or other service providers that it recommends to clients.

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

In accordance with the Advisers Act, CP has adopted policies and procedures designed to detect and prevent insider trading. In addition, CP has adopted a Code of Ethics (the "Code"). Among other things, the Code includes written procedures governing the conduct of CP's advisory and access persons. The Code also imposes certain reporting obligations on person's subject to the Code. The Code and applicable securities transactions are monitored by the chief compliance officer of CP. CP will send clients a copy of its Code of Ethics upon written request.

CP has policies and procedures in place to ensure that the interests of its clients are held in preference over those of CP, its affiliates, and its employees. For example, there are policies in place to prevent the misappropriation of material non-public information, and such other policies and procedures reasonably designed to comply with federal and state securities laws.

**B. IRA Rollover Acknowledgement and Conflicts of Interest**

CP will always strive to act as a Fiduciary when serving our clients. With that in mind, CP acknowledges that there is a potential conflict of interest when advising clients to rollover assets under the management of Chicago Partners. CP will work with each client to identify the positives and negatives of any rollover as it pertains to costs and investment vehicle selection.

**C. Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest**

CP does not engage in principal trading (i.e., the practice of selling stock to advisory clients from a firm's inventory or buying stocks from advisory clients into a firm's inventory). In addition, CP does not recommend any securities to advisory clients in which it has some proprietary or ownership interest.

**D. Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest**

CP, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may purchase the same securities as are purchased for clients in accordance with its Code of Ethics policies and procedures. The personal securities transactions

by advisory representatives and employees may raise potential conflicts of interest when they trade in a security that is:

- owned by the client, or
- considered for purchase or sale for the client.

Such conflict generally refers to the practice of front-running (trading ahead of the client), which CP specifically prohibits. CP has adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures:

- require our advisory representatives and employees to act in the client's best interest,
- prohibit fraudulent conduct in connection with the trading of securities in a client account
- prohibit employees from personally benefitting by causing a client to act, or fail to act in making investment decisions
- prohibit the firm or its employees from profiting or causing others to profit on knowledge of completed or contemplated client transactions
- allocate investment opportunities in a fair and equitable manner
- provide for the review of transactions to discover and correct any trades that result in an advisory representative or employee benefitting at the expense of a client.

Advisory representatives and employees must follow CP's procedures when purchasing or selling the same securities purchased or sold for the client.

As disclosed above, CP has a financial interest in two affiliated private funds. CP, on both a discretionary and a non-discretionary basis, manages certain client accounts which are invested in the affiliated private funds. The terms and conditions for participation in the affiliated private funds, including management fees, conflicts of interest, and risk factors, are set forth in the funds' offering documents. As noted above, CP will not charge an investment management fee on Fund positions in client portfolios. CP's clients are under absolutely no obligation to consider or make an investment in a private investment fund(s), or to maintain such an investment. **CP's Chief Compliance Officer, James Hagedorn, remains available to address any questions that a client or prospective client may have regarding the above arrangement and the corresponding conflict of interest that such arrangement creates.**



**E. Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

CP, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may effect securities transactions for their own accounts that differ from those recommended or effected for other CP clients. CP will make a reasonable attempt to trade securities in client accounts at or prior to trading the securities in its affiliate, corporate, employee, or employee-related accounts. Trades executed the same day will likely be subject to an average pricing calculation. It is the policy of CP to place the client's interests above those of CP and its employees.

**Item 12. Brokerage Practices****A. Factors Used to Select Broker-Dealers for Client Transactions**

In the event that the client requests that CP recommend a broker-dealer/custodian for execution and/or custodial services, CP generally recommends that investment CP accounts be maintained at Schwab, Fidelity and/or TD. Prior to engaging CP to provide investment management services, the client will be required to enter into a formal Investment Advisory Agreement with CP setting forth the terms and conditions under which CP shall advise on the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

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Factors that CP considers in recommending Schwab, Fidelity or TD Ameritrade (or any other broker-dealer/custodian to clients) include historical relationship with CP, financial strength, reputation, execution capabilities, pricing, research, and service. Broker-dealers such as Schwab can charge transaction fees for effecting certain securities transactions (**See** Item 4 above). To the extent that a transaction fee will be payable by the client to Schwab, Fidelity or TD Ameritrade, the transaction fee shall be in addition to CP's investment advisory fee referenced in Item 5 above.

To the extent that a transaction fee is payable, CP shall have a duty to obtain best execution for such transaction. However, that does not mean that the client will not pay a transaction fee that

is higher than another qualified broker-dealer might charge to effect the same transaction where CP determines, in good faith, that the transaction fee is reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, transaction rates, and responsiveness. Accordingly, although CP will seek competitive rates, it may not necessarily obtain the lowest possible rates for client account transactions.

### **A.1. Research and Benefits**

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, CP receives from Schwab, Fidelity and/or TD Ameritrade (or another broker-dealer/custodian, investment manager, platform or fund sponsor, or vendor) without cost (and/or at a discount) support services and/or products, certain of which assist CP to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by CP may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support-including client events, computer hardware and/or software and/or other products used by CP in furtherance of its investment advisory business operations-

As indicated above, certain of the support services and/or products that may be received may assist CP in managing and administering client accounts. Others do not directly provide such assistance, but rather assist CP to manage and further develop its business enterprise.

CP has entered into an agreement with Schwab wherein Schwab has agreed to reimburse CP clients in an aggregate amount not to exceed \$16,250 when such clients transfer their accounts to Schwab over a 12-month period. This reimbursement shall cover the cost associated with account transfer fees and account termination fees when transferring to Schwab. CP is expected to maintain an additional \$25 million in client assets with Schwab. This reimbursement shall be paid directly to the account holders incurring covered costs. While there is no direct economic benefit to CP, this arrangement nonetheless presents a conflict of interest.

There is no corresponding commitment made by CP to Schwab, Fidelity and/or TD or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

#### CP Intelligent Investor Platform

Client accounts enrolled in the Program are maintained at, and receive the brokerage services of, CS&Co., a broker-dealer registered with the Securities and Exchange Commission and a member of FINRA and SIPC. While clients are required to use CS&Co. as custodian/broker to enroll in the Program, the client decides whether to do so and opens its account with CS&Co. by entering into a brokerage account agreement directly with CS&Co. We do not open the account for the client. If the client does not wish to place his or her assets with CS&Co., then we cannot manage the client's account through the Program. CS&Co. may aggregate purchase and sale orders for Funds across accounts enrolled in the Program, including both accounts for our clients and accounts for clients of other independent investment advisory firms using the Platform.

**ANY QUESTIONS: CP's Chief Compliance Officer, Jim Hagedorn, remains available to address any questions that a client or prospective client may have regarding the above arrangement and the corresponding conflict of interest presented by such arrangement.**

#### **A.2. Brokerage for Client Referrals**

CP receives client referrals from Schwab through CP's participation in Schwab Advisor Network® ("the Service"). The Service is designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with CP. *Schwab* does not supervise CP and has no responsibility for Registrant's management of clients' portfolios or Registrant's other advice or services. CP pays Schwab fees to receive client referrals through the Service. Registrant's participation in the Service may raise potential conflicts of interest described below.

CP pays Schwab a Participation Fee on all referred clients' accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by CP is a percentage of the fees the client owes to CP or a percentage of the value of the assets in the client's account, subject to a minimum Participation Fee. CP pays *Schwab* the Participation Fee for so long as the referred client's account remains in custody at Schwab. The Participation Fee is billed to CP quarterly and may be increased, decreased or waived by *Schwab* from time to time. The Participation Fee is paid by CP and not by the client. CP has agreed not to charge clients referred through the Service fees or costs greater

than the fees or costs CP charges clients with similar portfolios who were not referred through the Service.

CP generally pays Schwab a Non-Schwab Custody Fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from *Schwab*. This Fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees Advisor generally would pay in a single year. Thus, CP will have an incentive to recommend that client accounts be held in custody at *Schwab*.

The Participation and Non-Schwab Custody Fees will be based on assets in accounts of Registrant's clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, CP will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at *Schwab* and to instruct *Schwab* to debit Registrant's fees directly from the accounts.

For accounts of CP's clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation from CP's clients in the form of commissions or other transaction-related compensation on securities trades executed through *Schwab*. *Schwab* also will receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades executed through broker-dealers other than *Schwab*. *Schwab's* fees for trades executed at other broker-dealers are in addition to the other broker-dealer's fees. Thus, CP may have an incentive to cause trades to be executed through *Schwab* rather than another broker-dealer. CP nevertheless, acknowledges its duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at *Schwab* may be executed through a different broker-dealer than trades for Registrant's other clients. Thus, trades for accounts custodied at *Schwab* may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

CP also participates in a referral program sponsored by TD Ameritrade. More information on this program may be found at Item 14.

### **A.3. Directed Brokerage**

CP recommends that its clients utilize the brokerage and custodial services provided by Schwab, Fidelity and/or TD. CP generally does not accept directed brokerage arrangements (when a client

requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and CP will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by CP. As a result, a client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. **Please Note:** In the event that the client directs CP to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through CP. Higher transaction costs adversely impact account performance. **Please Also Note:** Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

## **B. Order Aggregation**

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

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

### **A. Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved**

Individual accounts are reviewed frequently (at least quarterly) by the Senior Investment Advisor assigned to the account.

### **B. Review of Client Accounts on Non-Periodic Basis**

CP's Senior Investment Advisors may perform ad hoc reviews on an as-needed basis if there have been material changes in the client's investment objectives or risk tolerance, or a material change in how CP formulates investment advice.

### **C. Content of Client-Provided Reports and Frequency**

Clients receive quarterly portfolio appraisals that show performance by account and by security. Clients may, by specific request, receive reports more frequently. Accounts are reviewed by the Senior Investment Advisor assigned to the account.

The client's independent custodian also provides regular account statements directly to the client. The custodian's statement is the official record of the client's account and supersedes any statements or reports created on behalf of the client by CP.

## Item 14. Client Referrals and Other Compensation

### A. Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest

As indicated at Item 12 above, CP receives from Schwab, Fidelity and/or TD without cost (and/or at a discount), support services and/or products. There is no corresponding commitment made by CP to Schwab, Fidelity and/or TD or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangements. **CP's Chief Compliance Officer, Jim Hagedorn, remains available to address any questions that a client or prospective client may have regarding the above arrangements and the conflict of interest such arrangement creates.**

### B. Advisory Firm Payments for Client Referrals

#### TD Ameritrade AdvisorDirect Program

CP participates in the institutional advisor program (the "Program") offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC ("TD Ameritrade"), an unaffiliated SEC registered broker-dealer and FINRA member. CP may receive client referrals from TD Ameritrade through its participation in TD Ameritrade AdvisorDirect. There is no direct link between CP's participation in the program and the investment advice it gives to its clients, although CP receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. The benefits received by CP, or its related persons, do not depend on the amount of brokerage transactions directed to TD Ameritrade. In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, CP may have been selected to participate in AdvisorDirect based on the amount and profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of and unaffiliated with CP and there is no employee or agency relationship between them. TD Ameritrade has established AdvisorDirect as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. TD Ameritrade does not supervise CP and has no responsibility for CP's management of client portfolios or CP's other advice or services. CP pays TD Ameritrade an on-going fee for each successful client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee that the client pays to CP ("Solicitation Fee"). CP will also pay TD Ameritrade the Solicitation Fee on any advisory fees received by CP from any of a referred client's family members, including a spouse, child or any other immediate family member who

resides with the referred client and hired CP on the recommendation of such referred client. CP will not charge clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to TD Ameritrade to its clients. For information regarding additional or other fees paid directly or indirectly to TD Ameritrade, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form.

Potential conflicts of interest may arise from CP's participation in AdvisorDirect. TD Ameritrade will most likely refer clients through AdvisorDirect to investment advisors that encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, in order to obtain client referrals from TD Ameritrade, CP has an incentive to recommend to clients that the assets under management by CP be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. In addition, CP has agreed not to solicit clients referred to it through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. CP's participation in AdvisorDirect does not reduce or eliminate its fiduciary duty to seek best execution when selecting brokers to execute securities transactions on behalf of Referred Clients.

CP currently maintains one other active solicitor arrangement, whereby it compensates the solicitor for prospective client introductions. If a client is introduced to CP by either an unaffiliated or an affiliated solicitor, CP shall generally pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from CP's investment management fee, and shall not result in any additional charge to the client. CP also participates in referral programs sponsored by certain other providers where CP pays periodic fees for qualified client lead information.

If the client is introduced to CP by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of his/her/its solicitor relationship, and shall provide each prospective client with a copy of CP's written Brochure with a copy of the written disclosure Brochure from the solicitor to the client disclosing the terms of the solicitation arrangement between CP and the solicitor, including the compensation to be received by solicitor from CP.

CP also participates in the client referral program made available by Charles Schwab & Co., Inc. (as noted above at Item 12 relative to the Schwab Advisor Network program). Please refer to Item 12 for additional information relative to CP's participation in this referral program.





**Item 15. Custody**

Investment advisory clients of CP will receive, at least quarterly, account statements from the broker-dealer or custodian. CP urges all of its clients to carefully review those account statements. In addition, clients will receive quarterly account statements from CP. Clients are strongly urged to compare the account statements received from the custodian with those received from CP.

Client assets are held by a qualified custodian such as Schwab, TD, or Fidelity and it is CP's policy not to take physical custody or actual possession of client funds or securities. However, CP may deduct advisory fees directly from client's account as indicated in Item 5.B. above. CP also provides other services on behalf of its clients that require disclosure in ADV Part 1. In particular, certain clients have signed asset transfer authorizations that permit the applicable qualified custodian to rely upon instructions from CP to transfer client funds to third parties. In accordance with the guidance provided in the SEC Staff's February 21, 2017 Investment Adviser Association No-Action Letter, the affected accounts are not subjected to an annual surprise CPA examination.

Clients will receive account statements directly from Schwab, TD, or Fidelity at least quarterly. They will be sent to the email or the mailing address the Client provides to Schwab, TD, or Fidelity. Clients should carefully review those statements promptly when they are received. CP also urges clients to compare Schwab's, TD's, or Fidelity's account statements to the periodic portfolio reports clients receive from CP.

CP has custody of fund cash and securities where its owner, James Hagedorn, serves as the General Manager to the above referenced affiliated funds.

To meet CP's obligations under custody rules, each fund is subject to an annual audit as previously described and the following for each fund. All private fund assets, other than interests in the Underlying Funds, are held in custody by unaffiliated broker/dealers or banks. Investors in the private funds do not receive statements from the custodian of the activity within the private funds. Instead, the third party administrator to the private funds distributes periodic performance and net asset value statements to each investor, and the private funds are subject to an annual audit and the audited financial statements are distributed to each investor. The audited financial statements are prepared in accordance with generally accepted accounting principles and distributed to the investors.

## **Item 16. Investment Discretion**

Clients may grant a limited power of attorney to CP with respect to trading activity in their accounts by signing the appropriate custodian limited power of attorney form. In those cases, CP will exercise full discretion as to the nature and type of securities to be purchased and sold, the amount of securities for such transactions, and the executing broker to be used. Investment limitations may be designated by the client as outlined in the investment advisory agreement.

## **Item 17. Voting Client Securities**

Generally, as a matter of firm policy, CP does not vote proxies on behalf of our Clients.

Clients may receive their proxies or other solicitations directly from their custodian or their transfer agent. Upon request, CP will provide guidance and advice with regards to the proxies our Clients receive.

In the case of CP legacy clients, CP will vote proxies through the Broadridge platform, for those clients who have requested us to do so on their behalf.

When voting proxies, as a general rule, CP will vote all proxies relating to a particular proposal the same way for all client accounts holding the security in accordance with CP's Proxy Voting Policy, unless a client specifically instructs in writing to vote such client's securities otherwise. When making proxy voting decisions, CP may seek advice or assistance from third-party consultants, such as Broadridge or legal counsel. CP has contracted with Broadridge Investor Communications, Inc., for proxy voting services. CP also leverages the administrative services of Chicago Clearing Corp. to support with class actions.

## **Item 18. Financial Disclosures**

### **A. Balance Sheet**

CP does not require the prepayment of fees of \$1,200 or more, six months or more in advance, and as such is not required to file a balance sheet.

### **B. Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients**

CP does not have any financial issues that would impair its ability to provide services to clients.

### **C. Bankruptcy Petitions During the Past Ten Years**

There is nothing to report on this item.

**ANY QUESTIONS: CP's Chief Compliance Officer, James Hagedorn, CFA, remains available to address any questions regarding this Part 2A.**