



# CUSTOS FAMILY OFFICE

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## **Custos Family Office, LLC**

Part 2A of Form ADV: Firm Wrap Fee Brochure

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[www.custosfo.com](http://www.custosfo.com)

May 1, 2021

This brochure provides information about the qualifications and business practices of Custos Family Office, LLC (“Custos”). If you have any questions about the contents of this brochure, please contact us at 303-578-7024 or [chase@custosfo.com](mailto:chase@custosfo.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Custos is a Registered Investment Adviser. Registration as an Investment Adviser with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

Additional information about Custos is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as an IARD number. The IARD number for Custos is 294025.

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## ITEM 2 – Material Changes

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This section of the Brochure will address only those “material changes” that have been incorporated since our last delivery or posting of this document on the SEC’s public disclosure website (IAPD) [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The following are material changes since our last Annual ADV filing on February 4, 2020:

**ITEM 9** was updated to include language on our Firm having full discretion in the selection of brokers or dealers for fixed income trading only.

**ITEM 15** was updated to reflect that our firm is deemed to have custody of clients’ funds or securities when clients have standing authorizations with their custodian to move money from a client’s account to a third-party (“SLOA”).

**ITEM 9** was updated to reflect receipt of Paycheck Protection Plan Loan through the SBA in conjunction with the relief afforded from the CARES Act.

**In May of 2021, the Firm moved offices to 2679 W. Main Street, Suite 300-355 Littleton, CO 80120.**

If you would like another copy of this Brochure, please download it from the SEC Website as indicated above or you may contact our Chief Compliance Officer, Chase Rodawig at 303-578-7024 or [chase@custosfo.com](mailto:chase@custosfo.com). We encourage you to read this document in its entirety.

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## ITEM 4 – Services, Fees & Compensation

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We offer a wrap fee program as described in this Wrap Fee Program Brochure. The Wrap Fee Program provides clients with the ability to trade in certain investment products without incurring separate brokerage commissions or transaction charges. A wrap fee program is generally considered any arrangement under which clients receive investment advisory services and the execution of client transactions for a specified fee or fees not based upon transactions in their accounts. Prior to receiving services through the Program, clients are required to enter into a written agreement with our firm setting forth the relevant terms and conditions of the investment advisory relationship (the “Agreement”).

### Investment Management Services

We manage advisory accounts on a discretionary basis and non-discretionary basis. For discretionary accounts, once we have determined a profile and investment plan with a client, we will execute the day-to-day transactions without seeking prior client consent. Account supervision is guided by the written profile and investment plan of the client. We may accept accounts with certain restrictions if circumstances warrant. We primarily allocate client assets among various equities, Exchanged Traded Funds (“ETFs”), mutual funds and debt securities in accordance with their stated investment objectives.

During personal discussions with clients, we determine the client’s objectives, time horizons, risk tolerance and liquidity needs. As appropriate, we also review a client’s prior investment history, as well as family composition and background. Based on client needs, we develop a client’s personal profile and investment plan. We then create a Plan and manage the client’s portfolio based on that policy and Plan. It is the client’s obligation to notify us immediately if circumstances have changed with respect to their goals.

Once we have determined the appropriate strategy for you and your family and executed the strategy, we will provide ongoing investment review and management services. This approach requires us to periodically review your portfolio.

With our discretionary relationship, we will make changes to the portfolio, as we deem appropriate, to meet your financial objectives. We trade these portfolios based on the combination of our market views and your objectives, using our investment process. We tailor our advisory services to meet the needs of our clients and seek to ensure that your portfolio is managed in a manner consistent with those needs and objectives. You will have the ability to leave standing instructions with us to refrain from investing in particular industries or invest in limited amounts of securities.

We do have limited authority to direct the Custodian to deduct our investment advisory fees from your accounts, but only with the appropriate written authorization from you.

Where appropriate, we provide advice about concentrated stock positions held in client portfolios. Typically, these are assets that are ineligible to be custodied at our primary custodian. Clients will engage us to advise on certain investment products that are not maintained at their primary custodian, such as annuity contracts and assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans).

You are advised and are expected to understand that our past performance is not a guarantee of future results. Certain market and economic risks exist that adversely affect an account's performance. This could result in capital losses in your account.

#### Relative Cost of the Program

A wrap fee program allows our clients to pay a specified fee for investment advisory services and the execution of transactions. By participating in a wrap fee program, you may end up paying more or less than you would through a non-wrap fee program where a lower advisory fee is charged, but trade execution costs are passed directly through to you by the executing broker. We do not charge our clients higher advisory fees based on their trading activity, but you should be aware that we may have an incentive to limit our trading activities in your account(s) because we incur the fees for executed trades. In order to mitigate this conflict of interest, we will fulfill our fiduciary duty by acting in the client's best interest.

Our Firm charges a fee as compensation for providing Investment Management services on your account. These services include advisory services, trade execution, transaction costs, investment supervision, and other account-maintenance activities. Our recommended custodian charges custodial fees, redemption fees, retirement plan and administrative fees or commissions. See Additional Fees and Expenses below for additional details.

Unless otherwise agreed to in the Advisory Agreement, the Advisory Fees will be calculated and paid to the Adviser each calendar month in arrears based on the average daily value of the Portfolio during the previous calendar month (calculated based on the Portfolio's value at the end of each day). In the event of termination, any paid but unearned fees will be promptly refunded to the Client based on the number of days that the Portfolio was managed, and any fees due to the Adviser will be deducted from the Client's account prior to termination.

For purposes of this fee calculation, "value of the Portfolio" means the sum of the fair market value of all of the holdings in the Portfolio. Equity securities listed or traded on a national securities exchange or quoted on the over-the-counter market are valued at the last sales price on the day of valuation or, if no sale price is reported, at the last bid price.

Our maximum investment management fees as a percentage of assets under management is 1.50%. Our annual fixed fees range from \$1000 to \$500,000 depending on the level of engagement. The specific advisory fees are set forth in your Investment Advisory Agreement.

We may negotiate a lower advisory fee or have the right to waive the minimum fee. Fees may vary based on the size of the account, complexity of the portfolio, extent of activity in the account or other reasons agreed upon by us and you as the client. In certain circumstances, our fees and the timing of the fee payments may be negotiated. Certain high net worth clients may be billed one flat fee in the event that the client would engage in multiple advisory services offered by our firm.

Unless otherwise instructed by the Client, we will aggregate related client accounts for the purposes of determining the account size and annualized fee. The common practice is often referred to as “householding” portfolios for fee purposes and may result in lower fees than if fees were calculated on portfolios separately. Our method of householding accounts for fee purposes looks at the overall family dynamic and relationship. When applicable and noted in the Investment Management Agreement, concentrated stock positions will also be excluded from the fee calculation.

The independent qualified custodian holding your funds and securities will debit your account directly for the advisory fee and pay that fee to us. You will provide written authorization permitting the fees to be paid directly from your account held by the qualified custodian. Further, the qualified custodian agrees to deliver an account statement to you on a monthly basis indicating all the amounts deducted from the account including our advisory fees.

Under our Performance Based Services, the client will be charged a reduced management fee and a performance fee contingent upon the performance of a client’s account(s). The management fee will be charged monthly, in arrears based on average daily balance. The performance-based fee will be charged relative to an agreed upon benchmark. An example of a benchmark could be a hurdle rate (ie 4.00%) or an index-based benchmark (ie S&P 500 or 40% MSCI World & 60% Barclays US Aggregate). The benchmark to be used for the purposes of calculating the performance-based fee will be agreed upon by the client & advisor and stated in the agreement. The performance-based fee will be calculated quarterly and paid in arrears. The fee to be charged will be a maximum of 20% of the net of fee portfolio performance relative to the agreed upon benchmark capped at a maximum quarterly performance-based fee of 0.20% and not subject to a high watermark. The firm will be responsible for any transaction costs charged by the custodian in association with the implementation and maintenance of this strategy.

Our firm does NOT have to achieve appreciation to receive the performance-based fee. Custos is rewarded for outperformance relative to the agreed upon benchmark.

Either the Client or the Adviser may terminate the Agreement by giving thirty (30) days’ prior written notice of termination to the other; provided, however, such termination of this Agreement will not affect: (a) the validity of any actions the Adviser has previously taken; (b) the Client’s or the Adviser’s liabilities or obligations for transactions started before termination; or (c) any provision, obligation or right that is specifically designated herein to survive such termination. Upon termination, any fees owed to the Adviser will be paid by the Client on a prorated basis as of the effective date of termination, and any fees paid by the Client that have not been earned will be refunded to the Client on a prorated basis as of the effective date of termination.

## Other Types of Fees & Expenses

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You pay custodial fees, charges imposed directly by a mutual fund, index fund, or exchange traded fund which shall be disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses), mark-ups and mark-downs, wire transfer fees, fees for trades executed away from custodian, and taxes on brokerage accounts and securities transactions. These fees are not included within the wrap-fee you are charged by our firm. Neither our Firm nor its supervised persons accept compensation for the sale of securities or other investment products. Further, our firm does not share in any of these additional fees and expenses outlined above.

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## ITEM 5 – Account Requirements & Types of Clients

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We provide investment advice to individuals, high-net worth individuals, charitable organizations, foundations, institutions, trusts and estates. Our minimum initial account value is \$1,000,000; however, we may accept accounts for less than the minimum at our sole discretion.

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## ITEM 6 – Portfolio Manager Selection & Evaluation

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### Advisory Business

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Refer to Item 4 for information about our wrap fee advisory program. We offer individualized investment advice to clients utilizing our Wrap Portfolio Management service.

Each client has the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio. Restrictions on investments in certain securities or types of securities may not be possible due to the level of difficulty this would entail in managing the account.

### Participation in Wrap Fee Programs

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We offer wrap fee accounts to our clients, which are managed on an individualized basis according to the client's investment objectives, financial goals, risk tolerance, etc.

### Performance-Based Fees & Side-By-Side Management

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Our firm provides services and is compensated in a way in which we accept asset-based fees. That is, fees based on the total amount of assets owned by the client. Additionally, we also provide services and are compensated in a way in which we accept performance-based fees. That is, fees based on a share of capital gains of the assets of a client. There are conflicts of interest that we face by managing these accounts at the same time. For example, the nature of a performance-based fee poses an opportunity for our firm to earn more compensation than under a stand-alone asset-based fee. Thus, we have incentive to favor performance-based fee accounts over those accounts where we receive an asset-based fee. One way we may favor performance-based fee accounts is that we may devote more time and attention to performance-based fee accounts than to accounts under an asset-based arrangement.

There are other conflicts associated with performance-based fees that are not as common under an asset-based fee arrangement. The nature of performance-based fees can encourage unnecessary speculation with client assets in order to earn or increase the amount of the fee. The

result of riskier investments can have a positive effect in that results could equal higher returns when compared to an asset-based account. On the other hand, riskier investments historically have a higher chance of losing value.

Performance based fees can also cause an investment adviser to engage in transactions or strategies which will increase the amount of the performance fees, but which may not increase the overall performance of the client's account. For example, an account may lose value over any given year and no performance fee will be earned. In the following year, we may receive a performance fee for simply recouping losses from the previous year.

Our firm has established policies and procedures to address the various conflicts of interest associated with charging a performance-based fee:

- We devote equal time to the management of performance-based fee accounts and asset-based fee accounts.
- Only qualified clients with the capacity to assume additional risks are solicited to engage in a performance-based fee arrangement. We provide such clients full disclosure of the additional risks associated with a performance-based fee arrangement.
- Our managing members will typically manage personal accounts using a similar investment strategy used for clients.
- Performance of client accounts must reach a pre-determined and agreed upon the benchmark. For a complete description see Item 5 – Fees and Compensation.
- We have implemented internal compliance policies and procedures designed to comply with applicable state and federal securities law. Procedures are available to clients upon request.

Our firm does not represent that the amount of the performance-based fees or the manner of calculating the performance-based fees is consistent with other performance related fees charged by other investment advisers under the same or similar circumstances. The performance-based fees charged by Custos may be higher than the performance-based fees charged by other investment advisers for the same or similar services.

Our performance-based fee arrangement will comply with Section 205-3 of the Investment Advisers Act of 1940 and similar state statutes. According to Section 205-3 (see Rule 205-3 there under), only natural individual clients meeting the SEC's definition of "qualified clients" may enter into agreements providing for performance-based compensation to us. A natural person or company must meet the following conditions to be considered a qualified client:

- Have at least \$1,000,000.00 under management with our firm at the time the client enters into an Agreement; or



- Provide documentation to our firm so that we shall reasonably believe the client has either a net worth of \$2,000,000.00 or is a qualified purchaser under Section 2(a)(51)(A) of the Investment Company Act.

## Methods of Analysis, Investment Strategies & Risk of Loss

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### **Methods of Analysis**

At Custos we pride ourselves in being experts in risk management. We believe far too often the investment community, comprised of both professionals and individuals, make investment decisions based on future expected returns or emotion. Rather, we focus on balancing the risk and liquidity across the entire balance sheet. Indeed, most capital market assumptions utilized in industry models rely on historical returns with small adjustments based on current macroeconomic factors. Every model we have seen relies on historical correlations to continue into the future. We have an acute awareness of the evolution and timing of a given economic cycle and the market's potential downside risk.

For these reasons we spend a tremendous amount of time with clients at the initiation of a relationship understanding both their financial goals and more importantly their willingness and ability to assume financial risk. Often, we find these two factors are at odds. At this point we work closely with clients on the trade-offs generally associated with risk and return. We help clients understand the impact to their portfolios and futures.

### **Investment Philosophy**

- Concentration Risk Is Real
- Asset Allocation Drives 85-90% of Portfolio Returns
- Asset Class Returns Should Be Captured Efficiently
- Taxes Are the Enemy of Returns
- Performance Matters

### **Investment Process**

- 1) Fully understand a client's current balance sheet, goals & ability to withstand market volatility
- 2) Determine the optimal asset allocation strategy
- 3) Diversify away or hedge unacceptable risks
- 4) Implement strategy via the most efficient investment vehicles
- 5) Consistently measure net performance against benchmarks

- 6) Adjust strategy to meeting financial goals or a change in risk tolerance

### **Investment Strategies**

Custos' investment strategies are unconstrained by traditional asset classes and investment vehicles. We allocate client capital across cash, fixed income, ETFs, mutual funds, separately managed accounts, options, private investments (as a portfolio component), real estate and commodities exposure through use of exchange traded funds or mutual funds.

Custos may include mutual funds and exchange traded funds, ("ETFs") in our investment strategies. Our policy is to purchase institutional share classes of those mutual funds selected for the client's portfolio. The institutional share class generally has the lowest expense ratio. The expense ratio is the annual fee that all mutual funds or ETFs charge their shareholders. It expresses the percentage of assets deducted each fiscal year for funds expenses, including 12b-1 fees, management fees, administrative fees, operating costs, and all other asset-based costs incurred by the fund. Some fund families offer different classes of the same fund and one share class may have a lower expense ratio than another share class. These expenses come from client assets which could impact the client's account performance. Mutual fund expense ratios are in addition to our fee, and we do not receive any portion of these charges. If an institutional share class is not available for the mutual fund selected, the adviser will purchase the least expensive share class available for the mutual fund. As share classes with lower expense ratios become available, we may use them in the client's portfolio, and/or convert the existing mutual fund position to the lower cost share class. Clients who transfer mutual funds into their accounts with our Firm would bear the expense of any contingent or deferred sales loads incurred upon selling the product. If a mutual fund has a frequent trading policy, the policy can limit a client's transactions in shares of the fund (e.g., for rebalancing, liquidations, deposits or tax harvesting). All mutual fund expenses and fees are disclosed in the respective mutual fund prospectus.

### **Risk of Loss**

Clients must understand that past performance is not indicative of future results. Therefore, current and prospective clients should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities involves risk of loss. Further, depending on the different types of investments there will be varying degrees of risk. Clients and prospective clients should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, our Firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines.

Investors should be aware that accounts are subject to the following risks:

**Market Risk** — Even a long-term investment approach cannot guarantee a profit. Economic, political and issuer-specific events will cause the value of securities to rise or

fall. Because the value of investment portfolios will fluctuate, there is the risk that you will lose money and your investment may be worth more or less upon liquidation.

**Foreign Securities and Currency Risk** — Investments in international and emerging-market securities include exposure to risks such as currency fluctuations, foreign taxes and regulations, and the potential for illiquid markets and political instability.

**Capitalization Risk** — Small-cap and mid-cap companies may be hindered as a result of limited resources or less diverse products or services, and their stocks have historically been more volatile than the stocks of larger, more established companies.

**Interest Rate Risk** — In a rising rate environment, the value of fixed-income securities generally declines and the value of equity securities may be adversely affected.

**Credit Risk** — Credit risk is the risk that the issuer of a security may be unable to make interest payments and/or repay principal when due. A downgrade to an issuer's credit rating or a perceived change in an issuer's financial strength may affect a security's value and, thus, impact the fund's performance.

**Securities Lending Risk** — Securities lending involves the risk that the fund loses money because the borrower fails to return the securities in a timely manner or at all. The fund could also lose money if the value of the collateral provided for loaned securities, or the value of the investments made with the cash collateral, falls. These events could also trigger adverse tax consequences for the fund.

**Exchange-Traded Funds** — ETFs face market-trading risks, including the potential lack of an active market for shares, losses from trading in the secondary markets and disruption in the creation/redemption process of the ETF. Any of these factors may lead to the fund's shares trading at either a premium or a discount to its "net asset value."

**Performance of Underlying Managers** — We select the mutual funds and ETFs in the asset allocation portfolios. However, we depend on the manager of such funds to select individual investments in accordance with their stated investment strategy.

**Liquidity Risk** - Liquidity risk exists when particular investments would be difficult to purchase or sell, possibly preventing clients from selling such securities at an advantageous time or price.

**Options Risk** - Transactions in options carry a high degree of risk. Options are securities which derive their value from the value of underlying securities in which they track. Options can be used to hedge or to speculate on price changes in the underlying security. The value of an option contract is a function of the price of the underlying security, implied volatility, time to expiration and to a lesser extent market interest rates. At Custos we use options to hedge against adverse market moves or to gain exposure to securities we do not

currently own. While investing in options always carries the risk of experiencing a loss our option strategies are not designed to leverage portfolios which would inherently increase the risk of investing. Option strategies will only be used in client portfolios with client consent and we will continually review asset allocation and the appropriateness of using option strategies to achieve client risk and return goals.

**Alternative Investments** - Investments classified as "alternative investments" may include a broad range of underlying assets including, but not limited to, hedge funds, private equity, venture capital, and registered, publicly traded securities. Alternative investments are speculative, not suitable for all clients and intended for only experienced and sophisticated investors who are willing to bear the high risk of the investment, which can include: loss of all or a substantial portion of the investment due to leveraging, short-selling, or other speculative investment practices; lack of liquidity in that there may be no secondary market for the fund and none expected to develop; volatility of returns; potential for restrictions on transferring interest in the fund; potential lack of diversification and resulting higher risk due to concentration of trading authority with a single advisor; absence of information regarding valuations and pricing; potential for delays in tax reporting; less regulation and typically higher fees than other investment options such as mutual funds. The SEC requires investors be accredited to invest in these more speculative alternative investments. Investing in a fund that concentrates its investments in a few holdings may involve heightened risk and result in greater price volatility.

**Cybersecurity Risk** - In addition to the Material Risks listed above, investing involves various operational and "cybersecurity" risks. These risks include both intentional and unintentional events at our Firm or one of its third-party counterparties or service providers, that may result in a loss or corruption of data, result in the unauthorized release or other misuse of confidential information, and generally compromise our Firm's ability to conduct its business. A cybersecurity breach may also result in a third-party obtaining unauthorized access to our clients' information, including social security numbers, home addresses, account numbers, account balances, and account holdings. Our Firm has established business continuity plans and risk management systems designed to reduce the risks associated with cybersecurity breaches. However, there are inherent limitations in these plans and systems, including that certain risks may not have been identified, in large part because different or unknown threats may emerge in the future. As such, there is no guarantee that such efforts will succeed, especially because our Firm does not directly control the cybersecurity systems of our third-party service providers. There is also a risk that cybersecurity breaches may not be detected.

#### Voting Client Securities

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We do not and will not accept the proxy authority to vote client securities. Clients will receive proxies or other solicitations directly from their custodian or a transfer agent. In the event that proxies are sent to our firm, we will forward them on to you and ask the party who sent them to mail them directly to you in the future. Clients can contact our office with questions about a particular proxy solicitation by phone at 303-578-7024.

Class Action Suits - A class action is a procedural device used in litigation to determine the rights of and remedies, if any, for large numbers of people whose cases involve common questions of law and/or fact. Class action suits frequently arise against companies that publicly issue securities, including securities recommended by investment advisors to clients. With respect to class action suits and claims, you will have the responsibility for class actions or bankruptcies, involving securities purchased for or held in your account. We do not provide such services and are not obligated to forward copies of class action notices we may receive to you.

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#### ITEM 7 – Client Information Provided to Portfolio Manager(s)

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Our financial advisors work with you directly to understand your current financial situation, existing resources, financial goals, and tolerance for risk. Our firm urges you to communicate to us any significant changes to your financial or personal circumstances, so that we can consider such information in managing your investments.

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#### ITEM 8 – Client Contact with Portfolio Manager(s)

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Our firm does not place restrictions on the client's ability to contact and consult their financial advisor. As the portfolio manager, clients are free to contact us at any time.

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#### ITEM 9 – Additional Information

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##### Disciplinary Information

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We have determined that our firm and management have no disciplinary information to disclose.

##### Financial Industry Activities & Affiliations

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We have no industry activities or affiliation to disclose.

##### Brokerage Practices

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We generally recommend that clients utilize the custody, brokerage and clearing services of Pershing, LLC, a division of The Bank of New York Mellon Corporation, ("Pershing") and Fidelity Institutional Wealth Services ("Fidelity"), (referred to as the "Custodians") for investment management accounts. Our Custodians are independent and unaffiliated FINRA-registered broker-dealers. We may recommend that you establish accounts with these Custodians to maintain custody of your assets and to effect trades for your accounts. Some of the products, services and other benefits provided by our Custodians benefit us and may not benefit you or your account. Our recommendation that you place assets with one of these Custodians may be based in part on benefits they provide us, and not solely on the nature, cost or quality of custody and execution services provided by the Custodian.

We are independently owned and operated and not affiliated with these Custodians. They provide us with access to their institutional trading and custody services. These services include brokerage, custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors.

There is no direct link between our participation in the program and the investment advice we give to our clients, although we receive economic benefits through our participation in the program that are typically not available to any other independent investment advisors participating in the program. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to us by third party vendors. The Custodian may also have paid for business consulting and professional services received by some of our related persons. Some of the products and services made available by the Custodian through the program may benefit us but may not benefit your account. These products or services may assist us in managing and administering your account, including accounts not maintained at the Custodian. Other services made available by the Custodian are intended to help us manage and further develop our business enterprise. The benefits received by our firm or our personnel through participation in the program do not depend on the amount of brokerage transactions directed to the Custodian. As part of our fiduciary duties to clients, we endeavor at all times to act in the best interests of our clients first. You should be aware, however, that the receipt of economic benefits by our Firm or our related persons in and of itself creates a conflict of interest and may indirectly influence our choice of the Custodian for custody and brokerage services. In order to mitigate this conflict, we review our recommended Custodian periodically for a number of qualitative and quantitative factors. Additionally, our firm and our IARs will always act in best interest of the client.

In the event you request us to recommend a broker/dealer custodian for execution and/or custodial services, we generally recommend your account to be maintained at the Custodian. We may recommend that you establish accounts with the Custodian to maintain custody of your assets and to effect trades for your accounts. You have the right to decide to act on to act upon any recommendations, and if you elect to act upon any recommendations, you have the right to decide what firm to place the transactions through any broker/dealer we recommend. Our recommendation is generally based on the broker's cost and fees, skills, reputation, dependability and compatibility with the client. You may be able to obtain lower commissions and fees from other brokers and the value of products, research and services given to us is not a factor in determining the selection of broker/dealer or the reasonableness of their commissions.

#### Aggregation and Allocation of Transactions

We may aggregate transactions if we believe that aggregation is consistent with the duty to seek best execution for our clients and is consistent with the disclosures made to clients and terms defined in the client Investment Advisory Agreement. No advisory client will be favored over any other client, and each account that participates in an aggregated order will participate at the average share price (per custodian) for all transactions in that security on a given business day.

We will aggregate trades for ourselves or our associated persons with your trades, providing that the following conditions are met:

1. Our policy for the aggregation of transactions shall be fully-disclosed separately to our existing clients (if any) and the broker/dealer(s) through which such transactions will be placed;
2. We will not aggregate transactions unless we believe that aggregation is consistent with our duty to seek the best execution (which includes the duty to seek best price) for you and is consistent with the terms of our Investment Advisory Agreement with you for which trades are being aggregated.
3. No advisory client will be favored over any other client; each client that participates in an aggregated order will participate at the average share price for all our transactions in a given security on a given business day, with transaction costs based on each client's participation in the transaction;
4. Prior to entering in an aggregated order, we will prepare a written statement ("Allocation Statement") specifying the participating client accounts and how to allocate the order among those clients;
5. If the aggregated order is filled in its entirety, it will be allocated among clients in accordance with the allocation statement; if the order is partially filled, the accounts that did not receive the previous trade's positions should be "first in line" to receive the next allocation.
6. Notwithstanding the foregoing, the order may be allocated on a basis different from that specified in the Allocation Statement if all client accounts receive fair and equitable treatment and the reason for difference of allocation is explained in writing and is reviewed by our compliance officer. Our books and records will separately reflect, for each client account, the orders of which aggregated, the securities held by, and bought for that account.
7. We will receive no additional compensation or remuneration of any kind as a result of the proposed aggregation; and
8. Individual advice and treatment will be accorded to each advisory client.

### **Fixed Income Trades**

We have full discretion in the selection of brokers or dealers for fixed income trading only. We seek to obtain quality execution for security transactions through brokers and dealers who in our opinion are financially responsible. In selecting a broker or dealer, we may take into account relevant factors with respect to liquidity and execution of the order, as well as the amount of the

capital commitment by the broker or dealer. Other relevant factors may include, without limitation: (a) the execution capabilities of the brokers and/or dealers, (b) the size of the transaction, (c) the difficulty of execution, (d) the operations facilities of the brokers and/or dealers involved, and (e) the risk in positioning a block of securities.

### **Trade Errors**

We have implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with our fiduciary duty, it is our policy to correct trade errors in a manner that is in the best interest of the client. In cases where the client causes the trade error, the client will be responsible for any loss resulting from the correction. Depending on the specific circumstances of the trade error, the client may not be able to receive any gains generated as a result of the error correction. In all situations where the client does not cause the trade error, the client will be made whole and we will absorb any loss resulting from the trade error if the error was caused by the firm. If the error is caused by the Custodian, the Custodian will be responsible for covering all trade error costs. The CCO conducts a quarterly review of trade errors that may have occurred during the quarter. If investment gains (net any losses) result from the correcting trade(s), the total gain will be donated to charity. We will never benefit or profit from trade errors.

### **Code of Ethics, Participation or Interest in Client Transactions & Personal Trading**

Our Firm and persons associated with us are allowed to invest for their own accounts or to have a financial investment in the same securities or other investments that we recommend or acquire for your account and may engage in transactions that are the same as or different than transactions recommended to or made for your account. This creates a conflict of interest. We recognize the fiduciary responsibility to act in your best interest and have established policies to mitigate conflicts of interest.

We have developed and implemented a Code of Ethics that sets forth standards of conduct expected of our advisory personnel to mitigate this conflict of interest. The Code of Ethics addresses, among other things, personal trading, gifts, the prohibition against the use of inside information.

The Code of Ethics is designed to protect our clients to detect and deter misconduct, educate personnel regarding the firm's expectations and laws governing their conduct, remind personnel that they are in a position of trust and must act with complete propriety at all times, protect the reputation of Custos, guard against violation of the securities laws, and establish procedures for personnel to follow so that we may determine whether their personnel are complying with the firm's ethical principles.

We have established the following restrictions in order to ensure our firm's fiduciary responsibilities:

1. A director, officer or employee of Custos shall not buy or sell any securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by



reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No supervised employee of Custos shall prefer his or her own interest to that of the advisory client. Trades for supervised employees are traded alongside client accounts.

2. We maintain a list of all securities holdings of anyone associated with this advisory practice with access to advisory recommendations. These holdings are reviewed on a regular basis by an appropriate officer/individual of Custos.
3. We emphasize the unrestricted right of the client to decline to implement any advice rendered, except in situations where we are granted discretionary authority of the client's account.
4. We require that all supervised employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
5. Any supervised employee not in observance of the above may be subject to termination.

You may request a complete copy of our Code of Ethics by contacting us at the telephone number on the cover page of this Part 2; Attn: Chief Compliance Officer.

#### Review of Accounts

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##### Account Reviews and Reviewers – Investment Supervisory Services

The underlying securities within the investment supervisory services are monitored on at least a monthly basis. These reviews will be made by the firm's investment advisor representatives. An annual review with the client is usually conducted in person or by telephone.

All accounts are reviewed for consistency with client investment strategy, asset allocation, risk tolerance and performance relative to the appropriate benchmark. More frequent reviews may be triggered by changes in an account holder's personal, tax or financial status. Geopolitical and macroeconomic specific events may also trigger reviews.

##### Statements and Reports

The custodian for the individual client's account will provide clients with an account statement at least monthly. Reports may also be provided at every client meeting. Communication to clients will be done on an as needed basis with a minimum of 1 contact per calendar year. You are urged to compare the reports provided by Custos against the account statements you receive directly from your account custodian.

Those clients who are exclusively Consulting or Financial Planning clients (i.e. those who have no assets under management with us in our advisory program) will receive no regular reports from the Firm.

## Client Referrals & Other Compensation

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Custos does not pay referral fees or receive compensation for referrals.

As disclosed under Brokerage Practices, we participate in Pershing's institutional customer program and we may recommend Pershing to you for custody and brokerage services. There is no direct link between our participation in the program and the investment advice we give to our clients, although we receive economic benefits through our participation in the program that are typically not available to any other independent Investment Advisors participating in the program. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to us by third party vendors. Pershing may also have paid for business consulting and professional services received by some of our related persons. Some of the products and services made available by Pershing through the program may benefit us but may not benefit your account. These products or services may assist us in managing and administering your account, including accounts not maintained at Pershing. Other services made available by Pershing are intended to help us manage and further develop our business enterprise. The benefits received by our Firm or our personnel through participation in the program do not depend on the amount of brokerage transactions directed to Pershing. As part of our fiduciary duties to clients, we endeavor at all times to act in the best interests of our clients first. You should be aware, however, that the receipt of economic benefits by our Firm or our related persons in and of itself creates a conflict of interest and may indirectly influence our choice of Pershing for custody and brokerage services. In order to mitigate this conflict, we review our recommended Custodian periodically for a number of qualitative and quantitative factors. Additionally, our firm and our IARs will always act in best interest of the client.

## Soft Dollars

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Pershing provides our firm and our clients with access to its institutional brokerage, trading, custody, reporting, and related services, many of which are not typically available to Pershing retail customers. Pershing also makes available various support services. Some of those services help us manage or administer our clients' accounts; others help us manage and grow our business. Pershing's support services generally are available on an unsolicited basis (we do not have to request them) and at no charge to us. These are considered soft dollar benefits because there is an incentive to do business with Pershing. This creates a conflict of interest. We recognize the fiduciary responsibility to act in your best interest and have established policies in this regard to mitigate any conflicts of interest.

## Directed Brokerage

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Neither we nor any of our firm's related persons have discretionary authority in making the determination of the brokers with whom orders for the purchase or sale of securities are placed for execution, and the commission rates at which such securities transactions are effected. We generally recommend that clients utilize the custody, brokerage and clearing services of Pershing for investment management accounts. Each client will be required to establish their account(s) with this custodian if not already done. Please note that not all advisers have this requirement.

#### Financial Information

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We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients.

We are not required to provide financial information in this Brochure because:

- We do not receive more than \$1,200 in fees and six or more months in advance.
- We do not take custody of client funds or securities, except for our authorization to directly deduct fees as disclosed in item 4.