

# THREE BELL CAPITAL LLC

## Firm Brochure - Form ADV Part 2A



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*This brochure provides information about the qualifications and business practices of Three Bell Capital LLC. If you have any questions about the contents of this brochure, please contact us at (650) 843-9836 or by email at: jon@three-bell.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.*

*Additional information about Three Bell Capital LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Three Bell Capital LLC's CRD number is: 159736*

## **Item 2: Material Changes**

There are no material changes in this brochure from the last annual updating amendment of Three Bell Capital LLC on 03/31/2021. Material changes relate to Three Bell Capital LLC policies, practices or conflicts of interests only.

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## Item 4: Advisory Business

### A. *Description of the Advisory Firm*

Three Bell Capital LLC is a Limited Liability Company organized in the state of California.

This firm has been in business since November of 2011, and the principal owners are Jonathan H. Porter, Eric C. Patterson and Andre E. Huaman.

### B. *Types of Advisory Services*

Three Bell Capital LLC (hereinafter “TBC”) offers two broad categories of services to advisory clients: private wealth management, and corporate retirement plans.

#### *Private Wealth Management Services*

##### *Investment Supervisory Services*

TBC offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. TBC creates an Investment Policy Statement for each client, which outlines the client’s current situation (income, tax levels, and risk tolerance levels) and then constructs a plan (the Investment Policy Statement) to aid in the selection of a portfolio that matches each client’s specific situation. Investment Supervisory Services include, but are not limited to, the following:

- Investment strategy
- Personal investment policy
- Asset Allocation
- Asset selection
- Risk Tolerance
- Regular portfolio monitoring

TBC evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. TBC will request discretionary authority from clients in order to select securities and execute transactions without permission from the client prior to each transaction. Risk tolerance levels are documented in the Investment Policy Statement, which is given to each client. TBC offers financial planning services that are included in the quarterly management fees and do not cost anything additional.

##### *Services Limited to Specific Types of Investments*

TBC generally limits its money management to mutual funds, equities, bonds, fixed income, debt securities, ETFs, hedge funds, REITs, Private Equity, and government securities. TBC may use other securities as well to help diversify a portfolio when applicable.

## *Corporate Retirement Plan Services*

In addition to private wealth management, TBC also offers advisory services to corporate retirement plans.

- Investment Management
- Participant Education
- Fee Benchmarking
- Platform Selection
- Plan Design
- Fiduciary Support

### *Investment Management*

One of the most critical functions a plan advisor must provide is selecting, monitoring, and managing the plan investment options, not just at plan inception, but on an ongoing basis. TBC uses a sophisticated suite of institutional software to create a well-diversified menu of investment options that will allow plan participants to create an asset allocation to meet their specific needs. TBC then monitors the fund lineup and, if and when necessary, recommends changes to those investments to ensure they remain optimized.

### *Platform Selection*

One of the first choices a retirement plan client will have to make is platform selection. Retirement plan platforms, often referred to as “recordkeepers”, are not one size fits all. The services, features, capabilities, reporting, and pricing all vary greatly by platform, and it is important to evaluate multiple platforms to find the right fit for each particular plan, based on number of participants, projected growth, plan assets, and participant sophistication. TBC works agnostically with most major platform providers, understand the relative strengths of each, and help clients make the right choice.

### *Plan Design*

Every organization is unique and different. TBC ensures each company’s retirement plan is custom tailored to the client’s specifications and optimized for the organization’s goals and objectives. The TBC retirement plan team will meet with the client, discuss goals and objectives, understand what the client is looking to accomplish with the plan, and then walk the client through the various options. TBC will then work in conjunction with the plan administrators to implement a purposeful plan design, with targeted recommendations.

### *Fiduciary Support*

Retirement plan committee members all have other jobs within the organization, and they do not have the time or resources to stay up to speed on and meet their ongoing fiduciary obligations. However, the consequences of failing in any one of these fiduciary duties can be catastrophic, because being a fiduciary means you carry personal liability for certain aspects of the company’s retirement plan. We use process-driven software and schedules to assist our clients in meeting their

fiduciary obligations. When TBC is engaged as a plan advisor, they act as a co-fiduciary on the plan, in tandem with the plan committee. At the client's election, TBC can act as either a full discretionary fiduciary, with the ability to make changes to the plan on behalf of the committee (a Section 3(21) fiduciary), or a non-discretionary fiduciary whereby TBC advises the plan committee but the ultimate discretion and action falls upon the plan committee itself for all actions taken on behalf of the plan (a Section 3(38) fiduciary).

### *Fee Benchmarking*

One of the most critical, and often litigated, fiduciary duties is to ensure that the plan costs are all reasonable. Many advisors will do this for just the investment options. However, TBC not only evaluates and benchmarks fund fees, but also the fees associated with the platform ("recordkeeper"), the third-party administrator (if applicable), the auditor, and TBC as the plan advisor. Consistent with the committee's fiduciary obligation, TBC does this annually in a comprehensive fee benchmarking report, which is reviewed with the plan committee, and then any necessary adjustments and recommendations are implemented to maintain plan compliance.

### *Participant Education*

Unfortunately, many retirement plans have dismal enrollment and engagement numbers. This is most often the result of anemic participant education and training. TBC will work with the plan committee to ensure that participants have optimal in-person and online training. TBC's education programs and topic areas are client-specific, meaning that employees are receiving targeted education materials, information, and training, specific to a particular mandate or perceived need.

## **C. Client Tailored Services and Client Imposed Restriction**

TBC offers the same suite of services to all of its clients. However, specific client financial plans and their implementation are dependent upon the client Investment Policy Statement which outlines each client's current situation (income, tax levels, and risk tolerance levels) and is used to construct a client specific plan to aid in the selection of a portfolio that matches restrictions, needs, and targets.

Clients may impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs.

## **D. Wrap Fee Programs**

A wrap fee program is an investment program where the investor pays one stated fee that includes management fees, transaction costs, fund expenses, and any other administrative fees. TBC DOES NOT participate in any wrap fee programs.

## **E. Amounts Under Management**

<b>Discretionary Assets Under Management:</b>	<b>\$ 424,630,275</b>
<b>Non-Discretionary Assets Under Management:</b>	<b>\$ 1,166,210,042</b>



TOTAL Assets Under Management:

\$ 1,590,840,317

## Item 5: Fees and Compensation

### Fee Schedule

#### *Private Wealth Management Services Fees*

<u>Total Assets Under Management</u>	<u>Annual Fee</u>
\$1-\$999,999	1.50%
\$1,000,000 - \$9,999,999	1.00%
\$10,000,000 - \$19,999,999	0.75%
\$20,000,000 and Above	.50%

These fees are negotiable depending upon the needs of the client and complexity of the situation, and the final fee schedule is attached as Exhibit II of the Investment Advisory Contract. Fees are paid quarterly in arrears based upon average daily balance, and clients may terminate their contracts with written notice to TBC. Because fees are charged in arrears, no refund policy is necessary. Clients may terminate their accounts without penalty within 5 business days of signing the advisory contract. Advisory fees are withdrawn directly from the client's accounts with client written authorization.

Lower fees for comparable services may be available from other sources.

#### *Corporate Retirement Plan Services Fees*

These fees are negotiable, and can vary greatly for each individual client, depending upon the needs of the client and complexity of the situation, the recordkeeping platform used, whether the plan administrator is the same as the plan platform, and a variety of other factors. The final fee schedule is attached as an exhibit to each Investment Advisory Contract.

#### **Corporate Retirement Plan Assets Under Management (AUM) Fee**

TBC fees are determined by reference to the value of assets held in custody by the plan's custodian (such assets being referred to herein as the "Trust Account") and will represent a pro rata portion of an annual fee equal to a % of the value of the Trust Account as memorialized below or in the client's Investment Advisory Agreement.

TBC may modify or change the fees specified herein. The fee will be based on the value of the plan as of the last business day of the preceding fee period and will be payable in full immediately upon the date of TBC's invoice. The calculation of quarterly fees based on an annual percentage of plan assets varies by recordkeeper, and as such, the exact dollar amount of any such fee will vary depending upon which recordkeeper is engaged.

In determining the value of the Plan assets for purposes of calculating any asset-based fees, TBC may

rely upon the valuation of assets provided by client or the plan's custodian or recordkeeper without independent verification.

<i><u>Total Assets Under Management</u></i>	<i><u>Annual Fee</u></i>	<i><u>Flat Fee</u></i>
\$1-\$999,999	0.40%	\$6,500
\$1,000,000 - \$4,999,999	0.45%	\$0
\$5,000,000 - \$19,999,999	0.35%	\$0
\$20,000,000 and Above	0.25%	\$0

### **Corporate Retirement Plan Flat Fee**

Flat fee applicability varies by client. If a flat fee is used instead of an AUM fee, that fee will be payable quarterly, in arrears. As of the billing cycle immediately f o l l o w i n g the annual anniversary of the client engagement agreement, and on each annual anniversary thereafter, the amount of the stated annual fee may be subject to a 5% increase. This new annual fee shall supersede the previous fee for all subsequent billing cycles. At its discretion, TBC may choose to implement a fee increase that is less than 5%, but this shall not affect any fee increase applicable on future anniversary dates. A flat fee may also be used in conjunction with an asset under management fee, if determined to be appropriate by the committee and TBC.

### **Corporate Retirement Plan Setup Fee**

For newly established plans, TBC may charge a one-time setup fee. Clients have the option of paying this setup fee via pro-rata (based upon the participant's account balance), or per-capita (by dividing the fees equally among each participant) deduction from the plan assets held at the custodian/recordkeeper, or via direct invoice to client. All setup fees will be due and payable immediately.

### ***Betterment Fees***

If engaged, Betterment charges Clients an asset-based wrap fee on amounts invested via the Betterment for Advisors platform that is tiered based on the aggregate balance of all of TBC's Client accounts at Betterment (not including funds held in Betterment Everyday Cash Reserve). That wrap fee currently ranges from 0.12% to 0.20% of account balances. The asset-based wrap fee is charged quarterly in arrears. The services included for the wrap fee include all of the services provided by Betterment and Betterment Securities through the Betterment for Advisors platform, including advisory services, custody of assets, execution and clearing of transactions, and account reporting. Betterment collects wrap fees directly from Clients pursuant to the terms of the sub-advisory agreement between Betterment and each Client. Clients utilizing the Betterment for Advisors platform may pay a higher aggregate fee than if the advisory, custodial, trade execution, and other services were purchased separately. TBC pays a fixed monthly fee to Betterment. TBC charges Clients a fee in addition to the Betterment for Advisors platform fee for assets held on the Betterment for Advisors platform, and Betterment collects both its and TBC's fee from each Client and remits TBC's portion of the fee directly to TBC. Additional information regarding Betterment's fees and compensation is described in Betterment's Form ADV Part 2A.

## ***B. Payment of Fees***

### *Payment of Private Wealth Management Fees*

Advisory fees are withdrawn directly from the client's accounts with client written authorization. Fees are paid quarterly in arrears based on average daily balance. Advisory fees may also be invoiced and billed directly to the client quarterly in arrears based on average daily balance. Clients may select the method in which they are billed.

### *Payment of Corporate Retirement Plan Fees*

TBC may receive fees directly from the custodian, via a state insurance license, or via direct invoice paid by the client, depending upon the manner in which the plan is established.

In certain instances, these fees may include upfront compensation for transitioning a plan from one custodian to another. In such cases, fees may be based on (i) a percentage of the value of the plan assets transferred as of a particular date, and (ii) plan assets added over a designated timeframe post transition to a new custodian. Such fees may be paid by the custodian directly as compensation above and beyond the fixed percentage annual fees based on plan assets, or in some cases, they may be paid pro-rata directly from plan participants' custodial accounts.

Fees payable upon establishment or termination of the client engagement agreement will be prorated for the portion of the calendar quarter covered by such agreement.

### *C. Clients Are Responsible for Third Party Fees*

Clients are responsible for the payment of all third-party fees (i.e. custodian fees, brokerage fees, mutual fund fees, transaction fees, etc.). Those fees are separate and distinct from the fees and expenses charged by TBC. Please see Item 12 of this brochure regarding broker/custodian. TBC's fees do not include the fees of investment or money managers who are selected to manage all or a portion of the Account Assets or who manage pooled investment vehicles in which Account Assets are invested. In addition, costs or charges associated with certain securities transactions, including dealer mark-ups or mark-downs and normal broker commissions, legal and accounting fees, custodian fees, trustee fees, record keeper fees, and account liquidation or termination costs will be separately charged to the plan participants' accounts.

### *D. Prepayment of Fees*

TBC collects its fees quarterly in arrears based upon average daily balance for both Private Wealth Management and Corporate Retirement Plan Services. It does not collect fees in advance.

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

TBC does not accept commissions or other outside compensation for the sale of securities to Clients.

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

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

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

TBC generally provides management supervisory services to the following types of clients:

- High-Net-Worth Individuals and Families
- Corporate Retirement Plans

### *Minimum Account Size*

There is a \$1,000,000 minimum relationship size, with management discretion to make exceptions.

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

### *A. Methods of Analysis and Investment Strategies*

#### *Methods of Analysis*

TBC's methods of analysis include charting analysis, fundamental analysis, technical analysis, and cyclical analysis.

**Charting Analysis** involves the use of patterns in performance charts. TBC uses this technique to search for patterns used to help predict favorable conditions for buying and/or selling a security.

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

**Technical Analysis** involves the analysis of past market data; primarily price and volume.

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

#### *Investment Strategies*

TBC uses long term trading, short term trading, short sales, margin transactions, and options writing (including covered options, uncovered options, or spreading strategies).

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## ***B. Material Risks Involved***

### *Methods of Analysis*

**Charting Analysis** strategy involves using and comparing various charts to predict long and short-term performance or market trends. The risk involved in solely using this method is that only past performance data is considered without using other methods to crosscheck data. Using charting analysis without other methods of analysis would be making the assumption that past performance will be indicative of future performance. This may not be the case.

**Fundamental Analysis** concentrates on factors that determine a company's value and expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.

**Technical Analysis** attempts to predict a future stock price or direction based on market trends. The assumption is that the market follows discernible patterns and if these patterns can be identified then a prediction can be made. The risk is that markets do not always follow patterns and relying solely on this method may not work long term.

**Cyclical Analysis** assumes that the markets react in cyclical patterns which, once identified, can be leveraged to provide performance. The risks with this strategy are two- fold: 1) the markets do not always repeat cyclical patterns and 2) if too many investors begin to implement this strategy, it changes the very cycles they are trying to take advantage of.

### *Investment Strategies*

Long term trading is designed to capture market rates of both return and risk. Frequent trading, when done, can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

Short term trading, short sales, margin transactions, and options writing generally hold greater risk and clients should be aware that there is a material risk of loss using any of those strategies.

Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.

## ***C. Risks of Specific Securities Utilized***

TBC generally seeks investment strategies that do not involve significant or unusual risk beyond that of the general domestic and/or international equity markets (systemic risks). However, it may utilize short sales, margin transactions, and options writing for individual cases. Short sales, margin transactions, and options writing generally hold greater risk of capital loss and clients should be aware that there is a material risk of loss using any of those strategies.

**Mutual Funds:** Investing in mutual funds carries the risk of capital loss. Mutual funds are not guaranteed or insured by the FDIC or any other government agency. You can lose money investing in mutual funds. All mutual funds have costs that lower investment returns. They can be of bond "fixed income" nature (lower risk) or stock "equity" nature (mentioned above).

**Equities:** generally refers to buying shares of stocks by an individual or firms in return for receiving a future payment of dividends and capital gains if the value of the stock increases. There is an innate risk involved when purchasing a stock that it may decrease in value and the investment may incur a loss.

**Treasury Inflation Protected/Inflation Linked Bonds:** The Risk of default on these bonds is dependent upon the U.S. Treasury defaulting (extremely unlikely); however, they carry a potential risk of losing share price value, albeit rather minimal.

**Fixed Income** is an investment that guarantees fixed periodic payments in the future that may involve economic risks such as inflationary risk, interest rate risk, default risk, repayment of principal risk, etc.

**Debt Securities:** carry risks such as the possibility of default on the principal, fluctuation in interest rates, and counterparties being unable to meet obligations.

**Stocks & Exchange Traded Funds (ETF):** Investing in stocks & ETF's carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy). Investments in these securities are not guaranteed or insured by the FDIC or any other government agency.

**REITs:** have specific risks including valuation due to cash flows, dividends paid in stock rather than cash, and the payment of debt resulting in dilution of shares.

**Long Term Trading:** is designed to capture market rates of both return and risk. Due to its nature, the long-term investment strategy can expose clients to various other types of risk that will typically surface at various intervals during the time the client owns the investments. These risks include but are not limited to inflation (purchasing power) risk, interest rate risk, economic risk, market risk, and political/regulatory risk.

**Short Term Trading:** risks include liquidity, economic stability and inflation.

**Short Sales:** risks include the upward trend of the market and the infinite possibility of loss.

**Margin Transactions:** use leverage that is borrowed from a brokerage firm as collateral.

**Options:** involves a contract to purchase or sell a security at a given price at a future date, not necessarily at market value, depending on the market.

**Hedge Funds:** are generally private investments as a limited partner representing a fractional ownership in a master fund run by the general partners. Limited partners supply capital to invest only and do not have any investment authority, discretion or responsibility. The general partners are solely responsible for the management of the limited partners' capital. Hedge funds have a variety of different investment strategies that range from more conservative to more aggressive, and everything in between. Hedge funds are considered equities and as such carry investment risk and potential loss. Hedge funds can have lower volatility and lower correlation to the stock or bond indices, but generally have higher management fees, as well as performance incentive fees, which lower overall returns. Most hedge funds are also less liquid than publicly traded securities and investors can only withdraw money from them on a quarterly, annual, or term of years basis,

depending on the fund.

**Structured Notes:** are sometimes utilized to provide access to broad market indices in a way that provides downside protection from market losses not otherwise readily available in a naked index fund. A structured note is a debt instrument with a set maturity date, underwritten by a financial institution, which tracks to the returns of a specific set of underlying indices and pays cash to the investor at maturity. Structured notes will often utilize a combination of derivatives or options to effectuate upside leverage or downside protection, and those are built into the price and performance of the notes when the note is first structured. Structured notes do not pay the dividends associated with the underlying indices, carry issuer risk if the underwriter becomes insolvent, and are generally considered to be illiquid since the upside and downside is only guaranteed at maturity

Past performance is not a guarantee of future returns. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.

## **Item 9: Disciplinary Information**

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

There are no criminal or civil actions to report

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

There are no administrative proceedings to report.

### ***C. Self-regulatory Organization (SRO) Proceedings***

There are no self-regulatory organization proceedings to report.

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

### ***A. Registration as a Broker/Dealer or Broker/Dealer Representative***

Neither TBC nor its representatives are registered as or have pending applications to become a registered representative of any FINRA broker dealer.

### ***B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor***

Neither TBC nor its representatives are registered as or have pending applications to become a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor.



### ***C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests***

Jonathan H. Porter is a licensed insurance agent. From time to time, he will offer clients advice or products from those activities. Clients should be aware that these services may pay a commission or other compensation and involve a conflict of interest, as commissionable products conflict with the fiduciary duties of a registered investment adviser. TBC always acts in the best interest of the client; including the sale of commissionable products to advisory clients. Clients are in no way required to purchase such services or products through any representative of TBC in such individual's outside capacities.

Dean Somes is the president of Anadromous Research, LLC. From time to time, he may offer clients advice or products from those activities and clients should be aware that these services may involve a conflict of interest. THREE BELL CAPITAL LLC always acts in the best interest of the client and clients always have the right to decide whether or not to utilize the services of any representative of THREE BELL CAPITAL LLC in such individuals outside capacities.

Mickey Sakata Pinguelo owns multiple rental properties in California.

All material conflicts of interest under Section 260.238 (k) of the California Corporations Code are disclosed regarding the investment adviser, its representatives or any of its employees, which could be reasonably expected to impair the rendering of unbiased and objective advice.

### ***D. Selection of Other Advisers or Managers and How This Adviser is Compensated for Those Selections***

From time to time as it in its discretion deems appropriate, TBC will utilize or select third party managers in the form of separately managed accounts ("SMA's") to manage certain portions of Client portfolios. In such cases, TBC monitors these SMA's in the same manner as it does assets that TBC invests directly. All other assets are managed by TBC management.

### ***E. Betterment Services and Potential Conflicts of Interest***

As part of TBC's relationship with Betterment and Betterment Securities, Betterment may offer TBC services intended to help TBC manage and further develop its business enterprise, such as access to webinars and advice about using the Betterment for Advisors platform to grow TBC's business. Betterment may offer different or expanded services in the future. These services could create an incentive for TBC to recommend that TBC Clients invest through the Betterment for Advisors platform. This is a potential conflict given that TBC's interest in recommending Betterment could be influenced by TBC's receipt of Betterment's and Betterment Securities' services to TBC's business.



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

### ***A. Code of Ethics***

We have a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Our Code of Ethics is available free upon request to any client or prospective client.

## ***B. Recommendations Involving Material Financial Interests***

TBC is a fee-based advisor and does not recommend that clients buy or sell any security in which a related person to TBC or TBC has a material financial interest.

TBC is an advisor to multiple corporate retirement plans, primary 401(k) and cash balance pension plans ("Plan(s)"). These Plans are comprised of underlying constituent participants with whom TBC interacts and provides financial advice to on a regular basis.

In providing financial advice to Plan participants, TBC may recommend that a Plan participant roll assets held in another plan into either (i) the Plan or (ii) an IRA with TBC or with another third-party advisor. In such cases, any recommendations will be made based upon what TBC believes to be in the Plan participant's best interests taking into account cost, fees in the Plan vs. fees in an IRA or the existing plan, investment flexibility, and the Plan participant's stated goals and objectives.

Any individualized services provided by TBC to Plan participants, which include recommendations concerning the investment of the proceeds of a distribution from the Plan or other assets held outside the Plan will be performed under a separate agreement between TBC and the Plan participant.

In providing these services, TBC is acting as a Registered Investment Advisor ("RIA") and provides investment management consulting services for the management of liquid assets and is compensated for those services on a fee-only basis, based on a percentage of the Plan assets.

The above notwithstanding, TBC may receive compensation directly from the plan asset custodian or recordkeeper, via a state insurance license, or via direct invoice paid by the Client, depending upon the manner in which the Plan is established.

In certain instances, these fees may include upfront compensation for transitioning a Plan from one custodian, platform or recordkeeper to another. In such cases, fees may be based on (i) a percentage of the value of the Plan assets transferred as of a particular date (typically 1%), and (ii) Plan assets added over a designated timeframe post transition to a new custodian, platform or recordkeeper. Such fees may be paid by the custodian, platform or recordkeeper, directly as compensation above and beyond the fixed percentage annual Fees based on Plan assets, or in some cases, they may be paid pro-rata directly from Plan Participants' accounts

## ***C. Investing Personal Money in the Same Securities as Clients***

From time to time, representatives of TBC may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of TBC to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. TBC will always document any transactions that could be construed as conflicts of interest and will always transact client business before their own when similar securities are being bought or sold and a potential for material impact on client or TBC pricing is reasonably believed to exist.

## ***D. Trading Securities At/Around the Same Time as Clients' Securities***

From time to time, representatives of TBC may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of TBC to buy or sell securities before or after recommending securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. TBC will always transact client's transactions before its own when similar securities are being bought or sold and a potential for material impact on client or TBC pricing is reasonably believed to exist.

# **Item 12: Brokerage Practices**

## ***A. Factors Used to Select Custodians***

The Custodians, TD Ameritrade Institutional, a division of TD Ameritrade, Inc., member FINRA/SIPC ("TD"), and Schwab Institutional, a division of Charles Schwab & Co., Inc., member FINRA/SIPC (CRD # 5393) ("Schwab"), both unaffiliated SEC-registered broker-dealers, were chosen based on their relatively low transaction fees and access to mutual funds, stocks, bonds and ETFs. TBC will never charge a premium or commission on transactions, beyond the actual cost imposed by Custodian.

From time to time, TBC will utilize one of two self-directed custodians, PENSCO Trust or IRA Services (AKA "Forge Trust") to invest in securities that are not custodied at one of TBC's primary custodians, TD or Schwab. In these instances, the fees for custody charged by these self-directed custodians are often higher than at either primary custodian, and they were selected because they have capabilities to custody certain assets not otherwise available at one of the primary custodians.

### ***1. Research and Other Soft-Dollar Benefits***

TBC occasionally receives research, products, or other services from third-parties in connection with client securities transactions ("soft dollar benefits"). There is no minimum client number or dollar number that TBC must meet in order to receive free research from the custodians or third parties. There is no incentive for TBC to direct clients to these particular third parties over other entities who offer the same services. However, because this firm does not have to produce or pay for services or products it has an incentive to choose a custodian that provides those services based on its interests rather than the clients' interests. The first consideration when recommending Custodians to clients is best execution. TBC always acts in the best interest of the client.

### ***2. Brokerage Practices***

TBC participates in the institutional advisor program ("AdvisorDirect") offered by TD. TD offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Advisor receives some benefits from TD through participation in AdvisorDirect, more fully described in Item 14 below.

TBC will sometimes refer clients to Betterment Advisory Services as a participant in the Betterment for Advisors program. Betterment for Advisors is a digital wealth management platform generally serving independent investment advisory firms. Betterment LLC ("Betterment"), a registered

investment advisor, serves as sub-advisor to TBC Clients. MTG LLC, dba Betterment Securities (“Betterment Securities”), a registered broker-dealer and member of FINRA and the SIPC, serves as broker-dealer and custodian.

Betterment services include:

- Goal-Based Investment Management: Betterment’s goal-based investment platform allows TBC and Clients to identify multiple investment goals for each Client, each with specific portfolio allocations;
- Portfolio Construction Tools: TBC and Clients have access to a set of portfolio strategies, each of which is comprised of low-cost, index-tracking exchange-traded funds or mutual funds, and are able to customize the risk-level for each investment goal;
- Automated Investment Management Services: Betterment’s algorithms automate back-office tasks such as trading, portfolio management, tax loss harvesting, and account rebalancing;
- Website and Mobile Application: Betterment’s website and mobile application provide a platform for account access and monitoring and delivery of account documentation and notices; and
- Advisor Dashboard: TBC has access to a dashboard for purposes of monitoring and managing Client accounts.

When engaged, Betterment Securities is responsible for execution of securities transactions and maintains custody of customer assets. Betterment Securities exercises no discretion in determining if and when trades are placed; it places trades only at the direction of Betterment. Clients should understand that the appointment of Betterment Securities as the broker for their accounts held at Betterment may result in their receiving less favorable trade executions than may be available through the use of broker-dealers that are not affiliated with Betterment. Additional information regarding Betterment Securities can be found on FINRA’s BrokerCheck.

### *3. Clients Directing Which Broker/Dealer/Custodian to Use*

TBC will not allow clients to direct TBC to use another specific broker-dealer to execute transactions. Clients must use one of TBC recommended custodians (broker- dealer).

## ***B. Aggregating (Block) Trading for Multiple Client Accounts***

TBC maintains the ability to block trade purchases across accounts. Block trading may benefit a large group of clients by providing TBC the ability to purchase larger blocks resulting in smaller transaction costs to the client. Declining to block trade can cause more expensive trades for clients.

# **Item 13: Reviews of Accounts**

## ***A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews***

Client accounts are reviewed at least weekly by Jonathan H. Porter, Managing Partner and CEO; Eric C. Patterson, Managing Partner and CIO; Bill Martin, Chief Investment Strategist, or Andre Huaman, Partner (collectively, the “Advisors”). The Advisors work together collaboratively and collectively

on each Client account. Either Jon Porter as the Chief Executive Officer, Eric Patterson as the Chief Investment Officer, or Bill Martin as the Chief Investment Strategist, will review clients' accounts with regards to their investment policies and risk tolerance levels. All accounts at TBC are assigned to these reviewers.

All financial planning accounts are reviewed upon financial plan creation and plan delivery by one of the Advisors. There is only one level of review and that is the total review conducted to create the financial plan.

### ***B. Factors That Will Trigger a Non-Periodic Review of Client Accounts***

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

### ***C. Content and Frequency of Regular Reports Provided to Clients***

Each client will receive at least quarterly from the custodian a written report that details the client's account including assets held and asset value which will come from the custodian.

Clients are provided an initial investment plan and TBC utilizes forward looking financial planning software to provide clients a framework for ongoing implementation and monitoring of the investment plan. The financial planning is included in the TBC investment advisory fees outlined in Item 5.

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

### ***A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)***

TBC does not receive any economic benefit, directly or indirectly from any third party for advice rendered to TBC clients.

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

TBC may compensate certain third parties for Client referrals where TBC provides investment advisory services to a Client as a result of the third party's introduction. These third parties are entities with whom TBC has substantial and ongoing interactions and who provide complementary non-competing services to TBC Clients. TBC encourages Client referrals from its trusted strategic partners because it believes that doing so reduces time spent on outbound marketing and business development, leaving more time for servicing existing Clients.

### *C. Client Referrals and Compensation Related to TD Ameritrade AdvisorDirect Program*

As disclosed under Item 12 above, TBC participates in TD's institutional customer program, AdvisorDirect, and TBC may recommend TD to Clients for custody and brokerage services. There is no direct link between TBC's participation in AdvisorDirect and the investment advice it gives to its Clients, although TBC receives economic benefits through its participation in AdvisorDirect that are typically not available to TD retail investors. 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 TBC 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 TBC by third party vendors. TD may also have paid for business consulting and professional services received by TBC's related persons. These products or services may assist TBC in managing and administering Client accounts, including accounts not maintained at TD. Other services made available by TD are intended to help TBC manage and further develop its business enterprise. The benefits received by TBC or its personnel through participation in AdvisorDirect do not depend on the amount of brokerage transactions directed to TD. As part of its fiduciary duties to clients, TBC endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by TBC or its related persons in and of itself creates a potential conflict of interest and may indirectly influence TBC's choice of TD for custody and brokerage services.

TBC may receive client referrals from TD through its participation in AdvisorDirect. In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, TBC may have been selected to participate in AdvisorDirect based on the amount and profitability to TD of the assets in, and trades placed for, client accounts maintained with TD. TD is a discount broker-dealer independent of and unaffiliated with Advisor and there is no employee or agency relationship between them. TD 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 does not supervise TBC and has no responsibility for TBC's management of client portfolios or TBC's other advice or services. TBC pays TD an on-going fee for each successful client referral (the "Solicitation Fee"). The Solicitation Fee is an annualized fee based on the amount of referred client assets that does not exceed 25% of 1%, unless such client assets are subject to a Special Services Addendum. In the case of a Special Services Addendum, the Solicitation Fee is an annualized fee based on the amount of referred client assets that does not exceed 10% of 1%. TBC will also pay TD the Solicitation Fee on any assets received by TBC 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 TBC on the recommendation of such referred client. TBC 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 to its clients. For information regarding additional or other fees paid directly or indirectly to TD, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form.

TBC's participation in AdvisorDirect raises potential conflicts of interest. 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, TBC may have an incentive to recommend to clients that the assets under management by TBC be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. In addition, TBC 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. TBC's participation in AdvisorDirect does not diminish its duty to seek best execution of trades for client accounts.

## **Item 15: Custody**

TBC, with client written authority, has limited custody of client's assets through direct fee deduction of TBC's Fees only. If the client chooses to be billed directly by TD or Schwab, TBC would have constructive custody over that account and must have written authorization from the client to do so. Clients will receive all required account statements and billing invoices that are required in each jurisdiction, and they should carefully review those statements for accuracy.

If engaged, Betterment Securities maintains custody of Clients' assets that are managed by Betterment. Clients' account statements are available for review on the activity section of TBC's Betterment for Advisors client portal. Clients receive periodic emails from Betterment with information about their accounts as well as links to account statements. Clients should carefully review those statements promptly.

## **Item 16: Investment Discretion**

For those client accounts where TBC provides ongoing supervision, the client has given TBC written discretionary authority over the client's accounts with respect to securities to be bought or sold and the amount of securities to be bought or sold. Details of this relationship are fully disclosed to the client before any advisory relationship has commenced. The client provides TBC discretionary authority via a limited power of attorney in the Investment Advisory Contract and in the contract between the client and the custodian.

If engaged, Betterment uses algorithms to advise clients and manage their accounts. These algorithms are developed, overseen, and monitored by Betterment's investment advisory personnel. To use Betterment's investment services, Clients and/or TBC inform Betterment of a Client's financial goals and personal information through Betterment's online applications, and Betterment's algorithm then recommends and builds a portfolio of exchange traded funds for each client's financial goals and account types. Each portfolio is associated with a target allocation of investment types and/or asset classes but TBC can modify Betterment's initial allocation recommendation as it sees fit. In the absence of a contrary direction, Betterment periodically rebalances Client portfolios so that in the face of fluctuating market prices, each Client's portfolio remains within a range of the target allocation. Betterment also offers optional tax loss harvesting and automated asset location services.

## **Item 17: Voting Client Securities (Proxy Voting)**

TBC will not ask for, nor accept voting authority for client securities. Clients will receive proxies directly from the issuer of the security or the custodian. Clients should direct all proxy questions to the issuer of the security.

For assets managed on the Betterment for Advisors platform, Clients delegate to Betterment the authority to receive and vote all proxies and related materials. Betterment will only vote on proxies and respond to corporate actions associated with securities that Betterment recommends be purchased for client accounts. Additional information about proxy matters is contained in Betterment's Form ADV Part 2A.

## **Item 18: Financial Information**

### ***A. Balance Sheet***

TBC does not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this brochure.

### ***B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients***

Neither TBC nor its management have any financial conditions that are likely to reasonably impair our ability to meet contractual commitments to clients.

### ***C. Bankruptcy Petitions in Previous Ten Years***

TBC has not been the subject of a bankruptcy petition in the last ten years.