

## Item 1: Cover Page

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# Upstart Wealth Management, LLC

## Form ADV Part 2A Brochure

November 4, 2021

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This brochure provides information about the qualifications and business practices of Upstart Wealth Management, LLC. If you have any questions about the contents of this brochure, please contact us at the telephone number or email address listed above. 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. Upstart Wealth Management, LLC is a registered investment adviser, but registration does not imply a certain level of skill or training.

Additional information about Upstart Wealth Management, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) and by searching for CRD# 173728.

## Item 2: Material Changes

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In this Item, Upstart Wealth Management, LLC is required to identify and discuss material changes since the last time this brochure was updated. Since the firm's last annual updating amendment filed on February 19, 2021, we have the following material changes to report:

- Our firm transitioned from state to SEC registration in Q2 2021. This brochure has been updated accordingly.

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## Item 4: Advisory Business

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- A. Upstart Wealth Management, LLC (“Upstart”, “we”, “us” or “our”) is an investment adviser founded in November 2014, registered with the U.S. Securities and Exchange Commission (“SEC”), and is principally owned by Michael Powsner and Russell Kroeger.
- B. We provide investment management and financial planning services primarily to individuals and high net-worth individuals as more fully described below:

### **Investment Management Services**

We are in the business of managing individually tailored investment portfolios. Our firm provides continuous advice to clients regarding the investment of funds based on their individual needs. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, we develop a client's personal investment policy or an investment plan with an asset allocation target and create and manage a portfolio based on that policy and allocation target. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. We may also review and discuss a client's prior investment history, as well as family composition and background.

Account supervision is guided by the stated objectives of the client (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations. Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors, so long as we can reasonably accommodate such restrictions.

Typically, clients appoint and authorize Upstart with discretionary authority. In granting this discretionary authority, the client grants Upstart full power to direct, manage, and supervise the investment and reinvestment of assets in the client's account. Upstart has full authority to select, purchase, and sell securities for the client's account, and to place orders with the client's selected custodial broker-dealer to execute transactions in the account, all without prior consultation with the client. Upstart does not have the authority to effect withdrawals from clients' accounts subject to the sole exception of Upstart's investment management fee as more fully set out in “Items 5 – Fees and Compensation” and “Item 15 – Custody” in this brochure.

In some limited circumstances, and in Upstart's sole discretion, Upstart may accept non-discretionary authority to manage a client's account. These are accounts that need to remain liquid and not a part of Upstart's model portfolios for trading purposes. Each time Upstart wishes to make a trade or conducts a transaction for one of these accounts, the firm obtains the client's consent prior to the transaction.

We generally recommend that our clients' accounts be managed by an independent investment manager (“Independent Manager”), based upon the stated investment objectives of the client and our model investment portfolios. As of the date of this brochure, we recommend that our clients utilize the services of DGS Capital Management, LLC. When recommending or selecting the Independent Manager for a client, Upstart reviews information about the Independent Manager such as its disclosure statement and/or material supplied by the Independent Manager or independent third parties for a description of the Independent Manager's investment strategies, past performance and risk results to the extent available. Factors that Upstart considers in selecting or recommending the Independent Manager include the client's stated investment objectives, the manager's investment strategy, performance, reputation, financial strength, reporting, pricing, and research. In addition to receiving our written disclosure brochure, the client also receives the written disclosure brochure of the designated Independent Manager.

Upstart hereby acknowledges that it is a "fiduciary" when the firm's services are subject to the applicable provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended.

## **Financial Planning**

Financial planning is a comprehensive evaluation of a client's current and future financial state by using currently known variables to predict future cash flows, asset values and withdrawal plans. The key defining aspect of financial planning is that through the financial planning process, all questions, information and analysis will be considered as they impact and are impacted by the entire financial and life situation of the client. Clients receiving this service will receive a written or an electronic report, providing the client with a detailed financial plan designed to achieve his or her stated financial goals and objectives.

Clients are ultimately responsible for implementing or not implementing our financial planning recommendations at their sole and absolute discretion. To the extent our financial planning recommendations address the management of their investable assets, clients are under no obligation to retain us for the management of their investable assets.

In general, the financial plan will address any or all of the following areas of concern. We will work together with the client to select the specific areas to cover. These areas may include, but are not limited to, the following:

- **Cash Flow and Debt Management:** We will conduct a review of your income and expenses to determine your current surplus or deficit along with advice on prioritizing how any surplus should be used or how to reduce expenses if they exceed your income. Advice may also be provided on which debts to pay off first based on factors such as the interest rate of the debt and any income tax ramifications. We may also recommend what we believe to be an appropriate cash reserve that should be considered for emergencies and other financial goals, along with a review of accounts (such as money market funds) for such reserves, plus strategies to save desired amounts.
- **College Savings:** Includes projecting the amount that will be needed to achieve college or other post-secondary education funding goals, along with advice on ways for you to save the desired amount. Recommendations as to savings strategies are included, and, if needed, we will review your financial picture as it relates to eligibility for financial aid or the best way to contribute to grandchildren (if appropriate).
- **Employee Benefits Optimization:** We will provide review and analysis as to whether you, as an employee, are taking the maximum advantage possible of your employee benefits. If you are a business owner, we will consider and/or recommend the various benefit programs that can be structured to meet both business and personal retirement goals.
- **Estate Planning:** This usually includes an analysis of your exposure to estate taxes and your current estate plan, which may include whether you have a will, powers of attorney, trusts and other related documents. Our advice also typically includes ways for you to minimize or avoid future estate taxes by implementing appropriate estate planning strategies such as the use of applicable trusts. We always recommend that you consult with a qualified attorney when you initiate, update, or complete estate planning activities. We may provide you with contact information for attorneys who specialize in estate planning when you wish to hire an attorney for such purposes. From time-to-time, we will participate in meetings or phone calls between you and your attorney with your approval or request.

- **Financial Goals:** We will help clients identify financial goals and develop a plan to reach them. We will identify what you plan to accomplish, what resources you will need to make it happen, how much time you will need to reach the goal, and how much you should budget for your goal.
- **Investment Analysis:** This may involve developing an asset allocation strategy to meet one or more financial goals while respecting a stated risk tolerance, providing information on investment vehicles and strategies, reviewing employee stock options, as well as assisting you in establishing your own investment account at a selected custodial broker-dealer. The strategies and types of investments we may recommend are further discussed in Item 8 of this brochure.
- **Retirement Planning:** Our retirement planning services typically include projections of your likelihood of achieving your financial goals, typically focusing on financial independence as the primary objective. For situations where projections show less than the desired results, we may make recommendations, including those that may impact the original projections by adjusting certain variables (i.e., working longer, saving more, spending less, taking more risk with investments). If you are near retirement or already retired, advice may be given on appropriate distribution strategies to minimize the likelihood of running out of money or having to adversely alter spending during your retirement years.
- **Risk Management:** A risk management review includes an analysis of your exposure to major risks that could have a significant adverse impact on your financial picture, such as premature death, disability, property and casualty losses, or the need for long-term care planning. Advice may be provided on ways to minimize such risks and about weighing the costs of purchasing insurance versus the benefits of doing so and, likewise, the potential cost of not purchasing insurance ("self-insuring").
- **Tax Planning Strategies:** Advice may include ways to minimize current and future income taxes as a part of your overall financial planning picture. For example, we may make recommendations on which type of account(s) or specific investments should be owned based in part on their "tax efficiency," with consideration that there is always a possibility of future changes to federal, state or local tax laws and rates that may impact your situation. This service will also include basic tax planning which will involve tax projections and analysis.

To the extent a client wishes to engage Upstart to prepare and file its federal and/or state tax returns, clients may do so by signing a separate engagement letter. Please note that tax preparation and filing services are generally included as part of the comprehensive investment management and financial planning services we provide for the fees described in Item 5, below.

- C. We tailor our advisory services to the individual needs of our clients by taking the time to understand clients' current financial condition, goals, risk tolerance, income, liquidity requirements, investment time horizon, and other information that is relevant to the management of clients' account(s). This information will then be used to make investment decisions and recommendations that reflect clients' individual needs and objectives on an initial and ongoing basis. Our recommendations will allocate portions of clients' account(s) to various asset classes classified according to historical and projected risks and rates of return.
- D. We do not participate in any wrap fee programs.
- E. We manage the following amount of discretionary and non-discretionary client assets calculated as of May 4, 2021:

- i. Discretionary: \$120,540,273
- ii. Non-Discretionary: \$0

## Item 5: Fees and Compensation

- A. We are compensated for our investment management and financial planning services primarily by fees charged based on a client's assets under our management, which is calculated pursuant to one of two fee schedules described below.

### **Fee Schedule 1 (Applicable to all new clients)**

<b>Client Assets Under Management</b>	<b>Annual Fee Percentage (paid quarterly)</b>
\$0 - \$250,000	0.00%***
\$250,001 - \$2,500,000	0.80%***
\$2,500,001 - \$10,000,000	0.75%
\$10,000,001 - \$20,000,000	0.55%
\$20,000,001 and above	0.45%

\*\*\*Please note that clients with less than \$2,500,000 in assets under our management are subject to an additional minimum annual advisory fee of \$3,600, which shall be inclusive of investment management services, financial planning services, and tax preparation/filing services.

### **Fee Schedule 2 (Applicable to existing grandfathered clients not yet transitioned to Fee Schedule 1)**

<b>Client Assets Under Management</b>	<b>Annual Fee Percentage (paid quarterly)</b>
\$0 - \$1,000,000	1.00%
\$1,000,001 - \$3,000,000	0.75%
\$3,000,001 - \$5,000,000	0.60%
\$5,000,001 - \$10,000,000	0.50%
\$10,000,001 and above	Negotiable

The asset-based fees described above are negotiable and paid at the end of each calendar quarter. Initial fees are prorated based on the number of days in the quarter during which a client's assets have been designated to be under our management. Upon termination of an advisory relationship with a client, fees are prorated through the date of termination. The asset-based fees are "blended" such that the percentage rates are applied to each corresponding range of assets, resulting in a combined weighted fee. For example, an account valued at \$2,000,000 and under Fee Schedule 2 would pay an effective fee of 0.88% with the annual fee of \$17,500.00. The quarterly fee is determined by the following calculation:  $((\$1,000,000 \times 1.0\%) + (\$1,000,000 \times 0.75\%)) \div 4 = \$4,375$ .

In addition, clients with less than \$2,500,000 in assets under our management and that are working with us pursuant to Fee Schedule 1 are subject to an additional minimum annual advisory fee of \$3,600, which shall be inclusive of investment management services, financial planning services, and tax preparation/filing services. The additional minimum annual advisory fee shall be charged monthly in advance as agreed to between Upstart and the client. Clients with \$2,500,000 or more under Advisor's management do not pay the additional minimum annual advisory fee.

### **Independent Manager Fees**

Upstart is responsible for the investment management fees charged by the Independent Manager. In other words, clients' overall fees as noted above include Upstart's advisory fees as



well as fees charged by the Independent Manager, as applicable. Clients are not separately responsible for paying any fees to the Independent Manager.

### **Financial Planning Fees**

For clients that do not wish to engage us to provide ongoing investment management services, we offer financial planning services on a standalone fixed fee basis. In special circumstances, it may be offered on an hourly basis at \$350 per hour, subject to negotiation with a client and depending on the nature of the specified services. Fees are negotiable, and each client's specific fee schedule is included as part of the investment advisory agreement signed by the client. Fixed fees will be determined on a case by case basis with the fee being based on the complexity of the client's financial situation and the scope of financial planning services to be rendered. The fixed fee generally ranges between \$2,500 and \$15,000, but may be more or less depending on a particular client's needs. Financial planning fees are negotiable. The fee is due at the beginning of the financial planning process; however, Upstart will not bill an amount above \$1,200, six (6) months or more in advance.

### **Tax Preparation & Filing Fees**

If Upstart is separately engaged to prepare and file a client's federal and/or state tax returns, we charge a flat fee typically ranging between \$300 and \$3,500 depending on the nature and complexity of a client's tax situation. Tax preparation and filing fees are paid in arrears upon completion of the client's federal and/or state tax returns. For clients working with Upstart pursuant to Fee Schedule 2 that maintain at least \$500,000 in assets under our management, and for all clients working with Upstart pursuant to Fee Schedule 1, Upstart waives its separate tax preparation and filing fees.

- B. With the exception of the minimum annual advisory fee described above, our fees are payable quarterly at the end of each calendar quarter based on the average daily balance of assets under management within the established household during the prior calendar quarter. The full value of clients' accounts, on a gross basis, is included when calculating fees. This includes any portion of an account attributable to an outstanding margin balance. Fees are directly debited from client accounts, or the client may choose to pay by check. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee based on the amount of time remaining in the applicable billing period. An account may be terminated with written notice. No rebate will be needed upon termination of an account if a client is not subject to the minimum annual advisory fee, since fees are generally paid in arrears; however, any earned but unpaid fees will be due to Upstart upon termination. Any unearned portion of the minimum annual advisory fee paid in advance shall be refunded to the client upon termination with written notice.
- C. In addition to the fees charged by Upstart, clients will incur brokerage and other transaction costs. Please refer to Item 12: Brokerage Practices, for further information on such brokerage and other transaction-related practices. Clients will also typically incur additional fees and expenses imposed by independent and unaffiliated third-parties, which can include qualified custodian fees, mutual fund or exchange traded fund fees and expenses, mark-ups and mark-downs, spreads paid to market makers, wire transfer fees, check-writing fees, early-redemption charges, certain deferred sales charges on previously-purchased mutual funds, margin fees, charges or interest, IRA and qualified retirement plan fees, and other fees and taxes on brokerage accounts and securities transactions. These additional charges are separate and apart from the fees charged by Upstart.
- D. Neither Upstart nor any of its supervised persons accepts compensation for the sale of securities or other investment products.

## Item 6: Performance-Based Fees & Side-By-Side Management

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Neither Upstart nor any of its supervised persons accepts performance-based fees (fees based on a share of capital gains or capital appreciation of the assets of a client).

## Item 7: Types of Clients

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Upstart generally provides its services to individuals and high-net-worth individuals. There is no minimum account value required to open an account with Upstart, but clients with less than \$2,500,000 in assets under our management are subject to an additional minimum annual advisory fee of \$3,600, which shall be inclusive of investment management services, financial planning services, and tax preparation services. Clients with \$2,500,000 or more under our management do not pay the additional minimum annual advisory fee.

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

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

We meet with each client to determine their unique wealth management needs and constraints. Through this process, we work with the client to determine an asset allocation plan that attempts to fulfil the short-term and long-term portfolio objectives. We then determine the appropriate managers and investment vehicles that will be used to implement the client's portfolio. In most cases, we invest a client's portfolio using equity and fixed income separate accounts managed by a third-party investment manager, exchange traded funds, exchange traded notes, and mutual funds. In some cases, we utilize equity derivatives to reduce risk and/or potentially enhance expected yields.

We use a range of investment strategies to create a diversified portfolio of assets with the aim of producing risk adjusted returns that are appropriate for the client's stated objectives. Our primary equity investment strategies are index-based strategies with the goal of maintaining diversification at the security, sector, and regional level. These strategies are typically fundamental in nature and are implemented using long-only positions.

### **Risk of Loss:**

Past performance is not indicative of future results. Therefore, you should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, exchange traded funds, bonds, etc.) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. You 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.

There can be no assurance that a Client's investment objectives will be achieved and no inference to the contrary is being made. Prior to entering into an agreement with Upstart, a Client should carefully consider: (1) committing to management only those assets that the Client believes will not be needed for current purposes and that can be invested on a long-term basis, usually a minimum of three to five years, (2) that volatility from investing in the markets can occur, and (3) that over time the Client's assets may fluctuate and at any time be worth more or less than the amount invested.

Some additional general investment risks Clients should be aware of include, but are not limited to, the following

**Market Risk:** The price of a stock, bond, mutual fund or other security may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's underlying circumstances.

**Equity Risk:** Since the strategies invest in equity securities, they are subject to the risk that stock prices may fall over short or extended periods of time. Historically, the equity markets have moved in cycles, and the value of each strategy's equity securities may fluctuate drastically from day-to-day. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments. The prices of securities issued by such companies may suffer a decline in response. These factors contribute to price volatility, which is the principal risk of investing in the strategies we offer.

**Foreign Risk:** Since Upstart provides strategies catering to global equity markets, a significant portion of investments may be in the overseas markets (international securities). These pose special risks, including currency fluctuation and political risks, and such investments may be more volatile than that of a U.S. only

investment. The risks are generally intensified for investments in emerging markets.

Currency Risk: Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

Interest Rate Risk: Interest rate risk is associated with movements in interest rates, which depend on various factors including, but not limited to, government borrowing, inflation, and economic performance. The value of investments may change with a change in interest rates. Fixed income investments are subject to the risk of interest rate fluctuations, which may accordingly increase or decrease the rate of return thereon. When interest rates decline, the value of a portfolio of fixed income securities can be expected to rise. Conversely, when interest rates rise, the value of a portfolio of fixed income securities can be expected to decline.

Liquidity or Marketability Risk: This refers to the ease with which a security can be sold at or near to its fair market value. The primary measure of liquidity risk is the security's bid-ask spread and the available volume that can be traded without making a price impact. The lack of liquidity may force one to spend more than the fair market value when purchasing a security or receive less than the fair market value when selling a security.

Credit Risk: Debt securities are subject to the risk of the issuer's inability to meet the principal and interest payments on the obligations and may also be subject to the price volatility due to factors such as interest sensitivity, market perception, or the credit worthiness of the issuer and general market risk.

Third-Party Money Manager Risk: Relying on the investment management services of an Independent Manager means that clients will be subject to such Independent Manager's continued ability to achieve its investment mandates, as well as specific client investment objectives and restrictions. To the extent that an Independent Manager is dependent on the services or intellectual capital of a select few individuals, the departure or death of such individuals may have a material impact on the continued viability of such Independent Manager and its ability to continue serving client accounts. There can be no guarantee that an Independent Manager will meet its performance expectations, or that its services will be free of trading or management-related errors.

Mutual Fund Risk: This risk arises from investing in units of Mutual funds. Risk factors inherent to equities and debt securities are also applicable to investments in mutual fund units. Further, scheme specific risk factors of each such underlying scheme, including performance of their underlying stocks, derivatives instruments, stock lending, offshore investments etc., will be applicable in the case of investments in mutual fund units. In addition, events like change in fund manager of the scheme, takeover, mergers and other changes in status and constitution of mutual funds, foreclosure of schemes or plans, change in government policies could affect performance of the investment in mutual fund units.

ETF Risk: Investing in ETFs bears similar risks to investing in mutual funds as described above. However, shares of an ETF may be traded like stocks on the open market and are not redeemable at an NAV. As such, the value of an ETF may fluctuate throughout the day and investors will be subject to the cost associated with the bid-ask spread (the difference between the price a buyer is willing to pay (bid) for an ETF and the seller's offering (asking) price).

## Item 9: Disciplinary Information

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There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

## Item 10: Other Financial Industry Activities & Affiliations

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- A. Neither Upstart nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither Upstart nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.
- C. Neither Upstart nor any of its management persons have any relationship or arrangement with any of the related persons listed below:
- i. broker-dealer, municipal securities dealer, or government securities dealer or broker
  - ii. investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund)
  - iii. other investment adviser or financial planner
  - iv. futures commission merchant, commodity pool operator, or commodity trading advisor
  - v. banking or thrift institution
  - vi. lawyer or law firm
  - vii. insurance company or agency
  - viii. pension consultant
  - ix. real estate broker or dealer
  - x. sponsor or syndicator of limited partnerships
- D. As described in Item 4, Upstart also provides tax preparation and filing services that are typically included as part of its investment management and financial planning services. Michael Powsner (Managing Member of Upstart) is a Certified Public Accountant, and Russell Kroeger (Member and Financial Planner of Upstart) is an Enrolled Agent. To the extent that a client separately engages Upstart for tax preparation and filing services, and such tax services are to be provided for a separate fee, it creates a conflict of interest due to the additional compensation to be earned. Upstart addresses this conflict of interest by fully disclosing its investment management, financial planning, and tax preparation/filing fees in applicable agreements to be signed by clients, by reminding clients that they are under no obligation to utilize Upstart for their tax needs, and by providing full disclosure of the inherent conflicts in this brochure.
- In addition, Russell Kroeger is the Founder and CEO of Paradigm Wealth, Inc., which provides equity compensation software and education services. Though this activity is wholly separate and distinct from the services offered by Upstart, the software will be utilized by Upstart in conjunction with the advisory services it provides to clients. Such utilization will be at no cost to Upstart clients, and therefore Upstart does not reasonably anticipate that this presents a conflict of interest. In addition, the education services offered by Paradigm Wealth, Inc. are intended for use by other independent financial professionals, and not necessarily any retail investors. Therefore, such educational offering is also not reasonably anticipated to present a conflict of interest.
- E. As described above, Upstart generally utilizes the services of an Independent Manager for the implementation of investment management services. Upstart compensates such Independent Manager directly for its services, and Upstart does not receive direct or indirect compensation from the Independent Manager that creates a conflict of interest.

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

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- A. Upstart has adopted a code of ethics that will be provided to any client or prospective client upon request. Upstart's code of ethics describes the standards of business conduct that Upstart requires of its supervised persons, which is reflective of Upstart's fiduciary obligations to act in the best interests of its clients. The code of ethics also includes sections related to compliance with securities laws, reporting of personal securities transactions and holdings, reporting of violations of the code of ethics to Upstart's Chief Compliance Officer, pre-approval of certain investments by access persons, and the distribution of the code of ethics and any amendments to all supervised persons followed by a written acknowledgement of their receipt.
- B. Neither Upstart nor any of its related persons recommends to clients, or buys or sells for client accounts, securities in which Upstart or any of its related persons has a material financial interest.
- C. From time to time, Upstart or its related persons will invest in the same securities that Upstart or a related person recommends to clients. This has the potential to create a conflict of interest because it affords Upstart or its related persons the opportunity to profit from the investment recommendations made to clients. Upstart's policies and procedures and code of ethics address this conflict of interest by prohibiting such trading by Upstart or its related persons if it would be to the detriment of any client and by monitoring for compliance through the reporting and review of personal securities transactions. In all instances Upstart will act in the best interests of its clients.
- D. From time to time, Upstart or its related persons will buy or sell securities for client accounts at or about the same time that Upstart or a related person buys or sells the same securities for its own (or the related person's own) account. This has the potential to create a conflict of interest because it affords Upstart or its related persons the opportunity to trade either before or after the trade is made in client accounts, and profit as a result. Upstart's policies and procedures and code of ethics address this conflict of interest by prohibiting such trading by Upstart or its related persons if it would be to the detriment of any client and by monitoring for compliance through the reporting and review of personal securities transactions. In all instances Upstart will act in the best interests of its clients.



## Item 12: Brokerage Practices

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- A. Upstart considers several factors when recommending a custodial broker-dealer for client transactions and determining the reasonableness of such custodial broker-dealer's compensation. Such factors include the custodial broker-dealer's industry reputation and financial stability, service quality and responsiveness, execution price, speed and accuracy, reporting abilities, and general expertise. Assessing these factors as a whole allows Upstart to fulfil its duty to seek best execution for its clients' securities transactions. However, Upstart does not guarantee that the custodial broker-dealer recommended for client transactions will necessarily provide the best possible price, as price is not the sole factor considered when seeking best execution. After considering the factors above, Upstart recommends TD Ameritrade Institutional, a division of TD Ameritrade, Inc. ("TD Ameritrade") or Charles Schwab & Co., Inc. ("Schwab") as the custodial broker-dealers for client accounts.
- i. Upstart does not receive research and other soft dollar benefits in connection with client securities transactions, which are known as "soft dollar benefits". However, the custodial broker-dealer(s) recommended by Upstart do provide certain products and services that are intended to directly benefit Upstart, clients, or both. Such products and services include (a) an online platform through which Upstart can monitor and review client accounts, (b) access to proprietary technology that allows for order entry, (c) duplicate statements for client accounts and confirmations for client transactions, (d) invitations to the custodial broker-dealer(s)' educational conferences, (e) practice management consulting, and (f) occasional business meals and entertainment. The receipt of these products and services creates a conflict of interest to the extent it causes Upstart to recommend TD Ameritrade and Schwab as opposed to a comparable broker-dealer. Upstart addresses this conflict of interest by fully disclosing it in this brochure, evaluating TD Ameritrade and Schwab based on the value and quality of its services as realized by clients, and by periodically evaluating alternative broker-dealers to recommend.
  - ii. Upstart does not consider, in selecting or recommending custodial broker-dealers, whether Upstart or a related person receives client referrals from a custodial broker-dealer or third-party.
  - iii. Upstart does not routinely recommend, request, or require that a client direct Upstart to execute transactions through a specified custodial broker-dealer other than TD Ameritrade or Schwab.
- B. Upstart (and the Independent Manager) retains the ability to aggregate the purchase and sale of securities for clients' accounts with the goal of seeking more efficient execution and more consistent results across accounts. Aggregated trading instructions will not be placed if it would result in increased administrative and other costs, custodial burdens, or other disadvantages. If client trades are aggregated by Upstart or an Independent Manager, such aggregation will be done so as to not to disadvantage any client and to treat all clients as fairly and equally as possible.

## Item 13: Review of Accounts

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- A. Either Michael Powsner or Russell Kroeger, both Members and investment adviser representatives of Upstart, monitors client accounts on an ongoing basis, and typically reviews client accounts on a quarterly basis. Such reviews are designed to ensure that the client is still on track to achieve his or her financial goals, and that the investments remain appropriate given the client's risk tolerance, investment objectives, major life events, and other factors. Such reviews also evaluate accounts' performance compared against like-managed accounts to identify any unacceptable performance deviation. Additionally, reasonable client imposed restrictions will be reviewed to confirm that they are being enforced. Clients are encouraged to proactively reach out to Upstart to discuss any changes to their personal or financial situation.
- B. Other factors that may trigger a review include, but are not limited to, material developments in market conditions, material geopolitical events, unusual performance, addition or deletions of client imposed restrictions, excessive draw-down, volatility in performance, and changes to a client's personal or financial situation (the birth of a child, preparing for a home purchase, plans to attend higher education, a job transition, impending retirement, death or disability among family members, etc.).
- C. The custodial broker-dealer will send account statements and reports directly to clients no less frequently than quarterly. Such statements and reports will be mailed to clients at their address of record or delivered electronically, depending on the client's election. If agreed to by Upstart and client, Upstart or a third-party report provider will also send clients reports to assist them in understanding their account positions and performance, as well as the progress toward achieving financial goals.

## Item 14: Client Referrals and Other Compensation

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- A. Only clients provide an economic benefit to Upstart for providing investment advice or other advisory services to clients. However, as described above in Item 12, the custodial broker-dealer(s) recommended for client accounts provides certain products and services that are intended to directly benefit Upstart, clients, or both.
- B. Neither Upstart nor a related person directly or indirectly compensates a person who is not Upstart's supervised person for client referrals.

## Item 15: Custody

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For clients that do not have their fees deducted directly from their account(s), Upstart will not have any custody of client funds or securities. For clients that have their fees deducted directly from their account(s), Upstart will typically be deemed to have limited custody over such clients' funds or securities pursuant to the SEC's custody rule and subsequent guidance thereto. At no time will Upstart accept full custody of client funds or securities in the capacity of a custodial broker-dealer, and at all times client accounts will be held by a third-party qualified custodian as described in Item 12, above.

If a client receives account statements from both the custodial broker-dealer and Upstart or a third-party report provider, such client is urged to compare such account statements and advise Upstart of any discrepancies between them.

## Item 16: Investment Discretion

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Upstart accepts discretionary authority to manage securities accounts on behalf of clients only pursuant to the mutual written agreement of Upstart and the client through a power-of-attorney, which is typically contained in the advisory agreement signed by Upstart and the client. Clients may place reasonable limitations on this discretionary authority so long as it is contained in a written agreement and/or power-of-attorney.

## Item 17: Voting Client Securities

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- A. Upstart does not have and will not accept authority to vote client securities.
- B. Clients will receive their proxies or other solicitations directly from their custodial broker-dealer or a transfer agent, as applicable, and should direct any inquiries regarding such proxies or other solicitations directly to the sender.

## Item 18: Financial Information

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- A. Upstart does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.
- B. Upstart does not have custody of client funds or securities, or require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Upstart has no financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.
- C. Upstart has not been the subject of a bankruptcy petition at any time during the past ten years.