



**GOLDSTEIN MUNGER + ASSOCIATES**  
Financial Advisers

**FORM ADV PART 2A\***  
**SEC-Required Brochure**

March 2022

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\*This brochure provides information about the qualifications and business practices of Goldstein Munger + Associates. If you have any questions about the contents of this brochure, please contact us at telephone 925.552.1400. The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission or by any state authority. Additional information about Goldstein Munger + Associates is available on the SEC's website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

## MATERIAL CHANGES FROM PRIOR FORM ADV PART 2A

This Firm Brochure, dated March 2022, provides you with a summary of GM+A's advisory services and fees, professionals, certain business practices and policies, as well as actual or potential conflicts of interest, among other things. This Item is used to provide our clients with a summary of new and/or updated information; we will inform you of the revision(s) based on the nature of the information as follows.

1. Annual Update: We are required to update certain information at least annually, within 90 days of our firm's fiscal year end (FYE) of December 31. We will provide you with either a summary of the revised information with an offer to deliver the full revised Brochure within 120 days of our FYE or we will provide you with our revised Brochure that will include a summary of those changes in this Item.
2. Material Changes: Should a material change in our operations occur, depending on its nature, we will promptly communicate this change to clients (and it will be summarized in this Item). "Material changes" requiring prompt notification may include changes of ownership or control; location; disciplinary proceedings; significant changes to our advisory services or advisory affiliates - any information that is critical to a client's full understanding of who we are, how to find us, and how we do business.

The following summarizes new or revised disclosures based on information previously provided in our last annual amendment to the Firm Brochure dated March 2021:

- Item 4: Updated assets under management.
- Item 4: Updated section to include disclosure information regarding our fiduciary role when providing services to retirement investors and retirement accounts. Specifically, guidance from the US Department of Labor (DOL) under Title I of the Employee Retirement Income Security Act (ERISA) and/or the Internal Revenue Code (Code), requires GM+A to inform you that when we provide investment advice to you regarding your retirement plan or participant account or your individual retirement account (collectively retirement accounts), we are fiduciaries within the meaning of ERISA and/or the Code, as applicable, which are laws governing retirement accounts.
- Item 4: Updated section to include disclosure information regarding retirement account rollovers and a potential conflict of interest. Specifically, that GM+A would receive compensation (or may increase current compensation) when investment advice is provided following your decision to roll over your retirement assets.
- Item 5: Updated section to add our standard rates for hourly consulting and extraordinary investment and financial advisory services, currently \$500 for advisory related services and \$175 for administrative support services.
- Item 8: Updated section to add pandemic and war as possible unknown and unknowable events in regards to investment risks.

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#### 4. ADVISORY BUSINESS

Registration Status - Registered with the SEC on July 27, 1999<sup>1</sup>

Principal Owners - Richard M. Goldstein and Robert G. Munger

##### ADVISORY SERVICES

GM+A is a California corporation that provides investment management and financial consulting services to its clients. GM+A's investment management services include, among others, financial goal setting, risk assessment, strategic asset allocation and the selection and management of securities and investments. Securities transactions are supervised on a continuous basis and each client's portfolio holdings and asset allocations are monitored on a periodic basis. All investment advising and financial consulting services are performed by Richard Goldstein and Robert Munger as the principal owners of GM+A, which was established in 1995.

The investment management services we provide are based on each individual client's financial circumstances and investment objectives. Our portfolio managers meet with each client to discuss the client's current financial condition and to review the client's current investment holdings. We determine an appropriate asset allocation for the client's investment portfolio, based on the client's specific financial objectives and risk tolerance and in consideration of other factors, including the client's time horizon (education funding, home purchase, retirement, legacy planning), liquidity needs, and other available resources (including external retirement plans, projected social security, outside investments, real estate, and insurance). Each client's financial objectives, risk tolerance, and liquidity needs, along with a recommended asset allocation, are incorporated into an Investment Policy Statement that is customized for and discussed with the client. Clients may identify investment restrictions to be placed on their account.

For the long-term portion of client portfolios, we caution our clients that unplanned asset withdrawals may impair the achievement of the client's investment objectives. Nevertheless, a client may make additions to and withdrawals from the client's portfolio account at any time, subject to the Firm's right to terminate an account if the amount of assets drops below our account size minimum. Clients may withdraw account assets with notice to the Firm, subject to the usual and customary securities settlement procedures.

Additions to an account may be in cash or securities provided that we may decline to accept particular securities into a client's account or may recommend that the security be liquidated if it is inconsistent with the Firm's investment strategy or the client's investment objectives. Clients are advised that when transferred securities are

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<sup>1</sup> "Registration" means only that the Firm meets the minimum requirements for registration as an investment adviser and does not imply that the SEC guarantees the quality of our services or recommends them.

liquidated, they may be subject to transaction fees, fees assessed at the mutual fund level and/or have tax ramifications.

### **Financial Consulting Services**

In some situations, GM+A provides financial consulting only, without investment management services. This may include a financial review and analysis of some or all of the following areas:

- Cash flow management review
- Income tax planning
- Estate tax planning
- Review of insurance needs
- Other financial or investment analysis

Unless provided in connection with the investment management services described above, which is generally the case, clients engaging GM+A to provide financial consulting services will generally be required to enter into a separate written agreement with GM+A setting forth the terms and conditions of the engagement and describing the scope of the services to be provided. Financial consulting services are billed separately from investment management services.

### **Retirement Accounts - Acknowledgement of Fiduciary Status under ERISA and the Code**

Guidance from the US Department of Labor (DOL) under Title I of the Employee Retirement Income Security Act (ERISA) and/or the Internal Revenue Code (Code), requires GM+A to inform you that when we provide investment advice to you regarding your retirement plan or participant account or your individual retirement account (collectively retirement accounts), we are fiduciaries within the meaning of ERISA and/or the Code, as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so for retirement accounts we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours. Under this special rule's provisions, we must:

- Meet a professional standard of care when making investment recommendations (give prudent advice);
- Never put our financial interests ahead of yours when making recommendations (give loyal advice);
- Avoid misleading statements about conflicts of interest, fees, and investments;
- Follow policies and procedures designed to ensure that we give advice that is in your best interest;
- Charge no more than is reasonable for our services; and
- Give you basic information about conflicts of interest.

## **Retirement Account Rollovers**

When leaving an employer, you typically have four options regarding your existing retirement plan:

1. leave the assets in the former employer's plan, if permitted,
2. roll over the assets to the new employer's plan, if one is available and rollovers are permitted,
3. roll over the assets to an Individual Retirement Account ("IRA"), or
4. take a full withdrawal in cash, which would result in ordinary income tax and a penalty tax if you are under age 59 1/2.

If GM+A recommends that you roll over your 401(k) or other qualified plan assets to an IRA, this rollover recommendation presents a conflict of interest in that GM+A would receive compensation (or may increase current compensation) when investment advice is provided following your decision to roll over your plan assets. GM+A will discuss your retirement plan options including retention of your 401(k) or qualified plan assets with your current plan, if allowed. Prior to making a decision you should carefully review the information regarding your rollover options. You are under no obligation to rollover retirement plan assets to an account managed by us.

## **General Notice**

In performing its services, GM+A relies upon the information received from its client or from their other professional legal and accounting advisers and is not required to independently verify such information. Clients must promptly notify us of any change in their financial situation or investment objectives that would necessitate a review or revision by our advisers of the client's portfolio and/or financial plan.

## **ASSETS UNDER MANAGEMENT AS OF DECEMBER 31, 2021**

Discretionary Assets: \$742,900,971

Non-discretionary Assets: \$254,250,131

Total Assets Under Management: \$997,151,102

## **TERMINATION OF AGREEMENT**

Clients may terminate their investment management agreement at any time upon written notice to the Firm. Any fees owed by the client to the Firm will be due on a pro rata basis determined by the amount of time expired in the calendar quarter.

## **5. FEES AND COMPENSATION**

### **ADVISORY FEES**

GM+A charges fees for the investment management and financial consulting services it provides. Financial consulting fees are subject to either a fixed fee or hourly charges. Investment management fees are calculated as a percentage of the assets placed under our management.

Investment management fees are charged quarterly in arrears based on the client's portfolio value at the end of each calendar quarter. We prorate the fee for significant additions and withdrawals to and from the portfolio during a calendar quarter. Billing invoices are sent to clients following the end of the calendar quarter. Payment by check is due upon receipt of the invoice. At a client's option, the fee is deducted directly from their account by the third-party custodian and paid to GM+A. This authorization is granted under the terms of the client's signed investment management agreement and the client's instructions to the custodian. It is the client's responsibility to verify the accuracy of the fee calculation, as the custodian will not determine whether the fee is properly calculated.

GM+A offers two alternative fee structures and clients may select either structure. Our minimum annual fee under both of these fee structures is \$15,000. This includes the fixed fee under Alternative Two.

#### **Alternative One**

The first fee structure includes an asset management fee schedule with no fixed fee. This fee is billed in arrears on a calendar quarter basis based on the value of the assets managed at the end of each calendar quarter, adjusted for any significant additions or withdrawals during the quarter.

The fee schedule for this option is as follows:

<b>Value of Account Assets</b>	<b>Annual Fee Rate</b>
First \$2,000,000	1.00%, plus
Next \$2,000,000	0.80%, plus
Next \$2,000,000	0.70%, plus
Above \$6,000,000	0.60%

#### **Alternative Two**

The second fee structure is composed of an annual fixed fee for ongoing financial consulting services plus an asset management fee for the management of the client's portfolio.

The amount of the fixed fee depends upon the complexity of a client's overall financial situation and is negotiated and agreed to at the beginning of the engagement. The minimum annual fixed fee under this alternative fee structure is \$10,000 and is billed quarterly in arrears on a quarterly calendar basis. The fixed fee is adjusted annually for inflation.

The asset management fee under this alternative is also billed in arrears and is based on the value of the assets managed at the end of each calendar quarter adjusted for any significant additions or withdrawals during the quarter. The management fee schedule is as follows:

Value of Account Assets	Annual Fee Rate
First \$2,000,000	0.75%, plus
Next \$2,000,000	0.65%, plus
Next \$2,000,000	0.50%, plus
Above \$6,000,000	0.40%

### **Hourly Consulting/Extraordinary Investment and Financial Advisory Services Fees**

Unless otherwise stated in the client advisory agreement, for any hourly consulting or extraordinary investment and financial advisory services our standard hourly rates are as follows:

Hourly Rate for Adviser: \$500

Hourly Rate for Administrative Support: \$175

Hourly fees for these services are payable upon the presentation of our invoice.

### **GENERAL FEE DISCLOSURES**

Under certain circumstances, and in its sole discretion, GM+A may negotiate an alternative fee structure and/or minimum fee based upon the nature of the client relationship, the number and complexity of the client's accounts or financial condition and the services requested.

To the extent that a client authorizes the use of margin, and margin is thereafter employed by our portfolio managers in the management of the client's portfolio, the market value of the client's account and corresponding fee payable by the client to GM+A may be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin, clients authorizing margin are advised of the potential conflict of interest whereby the client's decision to employ margin may correspondingly increase the management fee payable to the Firm.

Accordingly, the decision as to whether to employ margin is left to the sole discretion of client. We generally advise our clients against maintaining significant margin balances.

We believe our investment management fees are competitive with the fees charged by other investment advisers in the San Francisco Bay Area for comparable services. However, comparable services may be available from other sources for lower fees than those charged by GM+A.

We do not accept compensation for the sale of securities or other products (including asset-based sales charges or services fees from mutual funds).

### **CUSTODIAN AND BROKERAGE FEES**

Clients incur certain charges imposed by their custodians and other third parties such as custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities



transactions. Additionally, clients will incur charges by the executing broker- dealer in the form of brokerage commissions and transaction fees on the investment transactions entered into for their account(s). All of these charges, fees and commissions are in addition to GM+A's investment management fee.

## **FUND DISCLOSURES**

Mutual funds, closed-end funds, exchange traded funds and alternative investment funds are investment vehicles and the investment strategies, objectives and types of securities held by such funds vary widely. In addition to the advisory fee charged by GM+A, clients indirectly pay for the expenses and advisory fees charged by the funds in which their assets are invested.

All such funds incur operating expenses in connection with the management of the fund. Investment funds pass some or all of these expenses through to their shareholders (the individual investors in the funds) in the form of management fees. The management fees charged vary from fund to fund. In addition, funds may charge shareholders (individual investors in the funds) other types of fees, such as early redemption or transaction fees. These charges also vary widely among funds. As a result, clients will still pay management fees and other "indirect" fees and expenses as charged by each mutual fund (or other fund) in which they are invested.

Clients are provided a copy of a fund prospectus for each fund in which they invest by their custodian or by the fund sponsor rather than by GM+A. As required by law, a prospectus represents the fund's complete disclosure of its management and fee structure. In addition, a fund's prospectus can be obtained directly from the fund.

## **BOND DISCLOSURE**

Clients whose assets are invested in bonds purchased directly from an underwriter or on the secondary market may pay a sales credit or sales concession on the trade (in lieu of a sales commission) ranging from 0% - 2% of the par value of the bond. The client's custodian may also impose a fee on the transaction as well.

## **6. PERFORMANCE-BASED FEES**

GM+A's investment management fee is not based upon capital gains or the capital appreciation of assets.

## **7. TYPES OF CLIENTS**

Our clients are individuals and families requiring high level financial consulting and portfolio management services. New clients usually come to us when they have recently come into wealth from the sale of a business, sale of stock, inheritance, divorce settlement or legal settlement. We have years of experience and a high level of financial technical knowledge relating to issues in these situations. Examples include income tax and estate tax strategies for dealing with stock options, sales of businesses and property

settlements.

We also have significant technical knowledge and experience in the area of transfers of assets from one generation to another, including the use of trusts and financial education of younger generations.

As a result of the Firm's minimum fee requirements, GM+A's services may not be appropriate for everyone. Particularly for smaller accounts, other investment advisers may provide somewhat similar services for lower compensation, although still others may charge more for similar services.

## **8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES, RISK OF LOSS**

### **METHODS OF ANALYSIS**

Depending upon the type of investment, GM+A utilizes a combination of fundamental, technical and cyclical analysis. These methods of analysis are used as part of a long-term, buy and hold strategy based on academic research and historical evidence. Fundamental analysis involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantage. Technical analysis involves analyzing statistics resulting from market activity, such as past prices and volume, to identify patterns that can be used to predict future activity. Cyclical analysis involves the analysis of business cycles to find favorable conditions for buying and/or selling a security. In performing these analyses, the Firm consults third-party research materials, company annual reports and other regulatory filings, and financial newspapers and periodicals. Other sources of information include conferences and meetings, study groups and Morningstar.

### **INVESTMENT STRATEGY**

The investments we select are primarily low cost mutual fund and exchange traded index fund vehicles that are chosen based on how they are expected to interact with the other investments in the portfolio. We also use actively managed mutual funds and exchange traded funds when we expect the fund to outperform the fund's index equivalent on an after tax basis over a long period of time. We may also occasionally select individual securities when we expect the ownership of the security to enhance the overall return or reduce the overall risk of the portfolio. We may also retain securities in your portfolio that were selected prior to the account being opened with GM+A. We do this if there are significant negative tax consequences and/or high trading costs associated with the sale of the security and if holding the security is consistent with the overall diversification objective of the portfolio.

### **Alternative Investments**

In addition to these types of investments, the Firm also provides investment advice regarding alternative investments to qualified clients for whom such investments are deemed suitable. These alternative investments may include, but are not limited to, gold, real estate, venture capital limited partnerships, private equity, managed future funds,

hedge funds, and third party funds of funds.

## INVESTMENT RISKS

All securities investments carry risk, including the risk that an investor may lose a part or all of his or her initial investment. Risk refers to the likelihood that the actual return the investor realizes will differ from the expected return.

Risks may be systematic, referring to factors that affect the returns on all comparable investments and that affect the financial system and market as a whole. Systematic risks include market risk, interest rate risk, reinvestment rate risk, purchasing power risk and exchange rate risk.

Unsystematic risks depend on factors that are unique to the specific investment security, asset class or market. These risks include business risk and financial risk.

Here are descriptions of some of the general risks associated with parts of our investment strategy:

**Short-term purchases** - While we generally purchase securities with the intent to hold them for more than a year, we may on occasion determine to buy or sell securities in a client's account and hold them for less than a year. Some of the risks associated with short-term trading that could affect investment performance are increased commissions and transaction costs to the account and increased tax obligations on the gains in a security's value.

**Bond pricing** - The price of bonds depends in part on the current rate of interest. Rising interest rates decrease the current price of bonds because current purchasers require a competitive yield. As such, decreasing interest rates increase the current value of bonds with an associated decrease in bond yield. We may decide to exchange to a lower or higher duration bond or to another asset class due to interest rate risk that could affect investment performance.

**Market risk** - The risk that returns from the market or markets (global equity and fixed income) will fluctuate from expected returns.

**Inflation** - Inflation is the loss of purchasing power through a general rise in prices. If, for example, an investment portfolio is designed for current income with a real rate of return of 4% and inflation were to rise to 5% or higher, the account would result in a loss of purchasing power and create a negative real rate of return.

**Price fluctuation** - Security prices do fluctuate (except for cash or cash equivalents) and clients must either accept the risk or change to a more appropriate investment portfolio in alignment with their risk tolerance.

**Reinvestment of dividends** - An investor can choose to reinvest interest, dividends and capital gains to accumulate wealth. This is an appropriate strategy for a portfolio

designed for capital growth. However, the reinvested earnings could result in a lower or a higher rate than was initially earned.

**Mutual funds with foreign asset holdings** - Any investments in mutual funds that make foreign investments are subject to the uncertainty of changes in the foreign currency value. The client will bear more risk and may earn a substantially higher or lower return than returns without the effect of currency exchange rate fluctuations.

**Margin trading** - We generally advise clients against maintaining margin balances. However, in some cases, and generally only for short term financing considerations, clients may elect to assume a margin balance on their investment account. The client's custodian may require a percentage of assets under management to be pledged as collateral for the margin amount. Clients risk that, in a falling market, the pledged collateral will be insufficient to cover a margin call by their custodian. Consequently, all margin decisions are left to the client.

**Alternative asset classes** - Many alternative investments are illiquid, which means that the investments can be difficult to trade. Consequently, such holdings may limit a client's ability to dispose of such investments in a timely manner and at an advantageous price.

**Failure to achieve target investment return** - The risk that average annual expected returns will not be sufficient to achieve financial goals.

**Unknown and unknowable events** - The risk that a dire event, such as a sudden financial collapse, natural catastrophe, act of terrorism, pandemic, or war will cause returns to be less than expected.

## **9. DISCIPLINARY INFORMATION**

GM+A has no disciplinary history and is not subject to any disciplinary disclosures.

## **10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

GM+A is an independent investment adviser, unaffiliated with any other financial institution or securities dealer or issuer. We recommend that our clients custody their assets with Charles Schwab & Co., Inc., an SEC registered broker-dealer and member of the Financial Industry Regulatory Authority (FINRA) and the Securities Investors Protection Corporation (SIPC). Although we recommend that our clients custody their investment accounts at Schwab, we have no affiliation with Schwab, do not supervise its brokerage activities and are not subject to its supervision.

Although we may refer our clients to other professionals such as attorneys or accountants for estate planning, tax or other matters, neither the Firm nor its principals or employees are affiliated with any law or accountancy firm

## **11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Our reputation and integrity are valuable assets that are vital to our continued success. Each of our employees is responsible for conducting our Company's business in a manner that demonstrates a commitment to the highest standards of integrity. Our Code of Ethics has been adopted to help employees meet these standards. Its purpose is to foster a culture of honesty, accountability and client privacy among employees, provide guidance to help employees recognize and deal with ethical issues and provide mechanisms for employees to report unethical conduct.

GM+A, its employees and their immediate families (collectively "employees") are permitted to buy and sell securities for their personal investment accounts. The Firm has adopted employee personal trading policies and procedures and a code of ethics to govern proprietary (on behalf of the Firm itself) and employee trading practices. We will provide a copy of our Code of Ethics to any client or prospective client upon request. A variety of laws apply to the Firm and its operations. We have also adopted the AICPA Code of Professional Conduct, the IMCA Standards of Practice, and the Certified Financial Planner Code of Ethics and Professional Responsibility. Copies of these Codes of Ethics are also available to clients and prospective clients upon request.

Subject to adherence to the firm's Code of Ethics, our employees may invest in shares of the mutual funds, exchange traded funds (ETF) or individual securities that we recommend for our clients. Employees can place trades through their brokers and are required to report to us all trading activity in their personal accounts upon hiring and following the end of each calendar quarter. GM+A's employee personal trading policies and code of ethics are made available to clients and prospective clients upon request.

The investment vehicles we use are usually large ETF's or mutual funds and therefore employee transactions are not likely to have an impact on the price. In cases where a security is thinly traded and employee transactions could influence the price, our policy is to prohibit our employees from trading until all client positions are traded. From time to time, trading by employees in particular securities may be restricted in recognition of impending investment decisions on behalf of clients. If a security is purchased or sold for client accounts and employees on the same day, either employees will pay or receive the same price as the client account, or the client account will receive the more favorable price. If purchased or sold on different days, it is possible that employees' personal transactions might be executed at more favorable prices than were obtained for clients.

GM+A employees are not permitted to invest in securities for which any of our clients holds an "insider" position. Also, we do not allow our employees to invest in companies that employ numerous clients who hold significant amounts of stock in the company.

Employees may buy or sell securities or make investments, based on personal investment considerations, which the Firm may not deem appropriate to buy or sell for clients. It is also possible that employees may take investment positions for their own accounts that

are contrary to those taken on behalf of clients. If these securities subsequently appreciate, these personal transactions could be viewed as creating a conflict of interest.

Conversely, employees may liquidate a security position that is held both for their own account and for the accounts of Firm clients, sometimes in advance of clients. This occurs when personal considerations (e.g. liquidity needs, tax planning, industry/sector weightings) deem a sale necessary for individual financial planning reasons. If the security subsequently falls in price, these personal transactions could be viewed as a conflict of interest.

## **12. BROKERAGE PRACTICES**

### **RECOMMENDATION OF SCHWAB AS CUSTODIAN AND EXECUTING BROKER**

GM+A recommends that clients establish brokerage accounts with Schwab to maintain custody of client assets and to effect trades for their accounts. Schwab provides us with access to its institutional trading and custody services which are not available to Schwab retail investors. These services are available to independent investment advisers on an unsolicited basis at no charge. Such services are not contingent upon GM+A committing to Schwab any specific amount of business (in the form of either assets in custody or trading). Schwab's services include brokerage, custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment on the part of individual clients.

Schwab also makes available to GM+A other products and services that benefit us but may not benefit our clients. Some of these other products and services assist GM+A in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements); facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts); provide research, pricing information and other market data; facilitate payment of our fees from our clients' accounts; and assist with back-office functions, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of GM+A accounts, including accounts not maintained at Schwab. Schwab also makes available to GM+A other services intended to help us manage and further develop our business. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. In addition, Schwab may make available, arrange and/or pay for these types of services to GM+A by independent third parties. Schwab may discount or waive fees it otherwise would charge for some of these services or pay all or a part of the fees of a third-party providing these services to GM+A.

Our recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefit to GM+A of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

## **DIRECTED BROKERAGE**

In a limited number of cases, clients may direct GM+A to place all orders for securities transactions with a specific broker-dealer (directed brokerage). In these cases, we are not obligated to, and will generally not solicit competitive bids for each transaction or seek the lowest commission rates for the client. As a result, the client may pay higher commission costs, security prices and transaction costs. In addition, the client may be unable to obtain the most favorable price on transactions executed by GM+A as a result of our inability to include trades for this account with other client trades.

Furthermore, the client may not be able to participate in the allocation of a security of limited availability for various reasons, including if those new issue shares are provided by another broker or dealer. As a result of the special instruction, GM+A may not execute client securities transactions with brokers that have been directed by clients until non-directed brokerage orders are completed. Accordingly, clients directing brokerage may not earn returns equal to those of clients who do not direct brokerage.

Due to these circumstances, there may be a disparity in brokerage commission rates charged to a client who directs GM+A to use a particular broker. Clients who direct brokerage should understand that similar brokerage services may be obtained from other broker-dealers at lower costs and possibly with more favorable execution.

## **BEST EXECUTION**

GM+A is not obligated to obtain the best net price or lowest brokerage commission on any particular transaction. Federal law requires investment managers to use their reasonable best efforts to obtain the most favorable execution for each transaction executed on behalf of client accounts.

In selecting broker-dealers, our primary objective is to obtain the best execution. The expected price, brokerage commissions, if any, and other transaction costs are principal factors, but the selection also takes into account other factors, including the execution, clearance and settlement capabilities of the broker-dealer, the broker-dealer's willingness to commit capital, the broker-dealer's reliability and financial stability, the size of the particular transaction and its complexity in terms of execution and settlement, the market for the security, the value of any research and other brokerage services provided by the broker-dealer, and the cost incurred by placing prime brokerage trades in client accounts.

Based upon an evaluation of some or all of these factors, we may execute client trades through broker-dealers that charge fees that are higher than the lowest available fees. GM+A may select broker-dealers whose fees may be greater than those charged for similar investments if we determine that brokerage services and research materials provided by that broker-dealer warrant the payment of higher fees.

GM+A performs reviews of transaction results periodically to determine the quality of

execution provided by the various broker-dealers through whom we execute transactions on behalf of clients.

#### **AGGREGATION OF TRADES AND POTENTIAL CONFLICTS**

GM+A does not generally block client trades and, therefore, we implement client transactions separately for each account. Consequently, certain client trades may be executed before others, at a different price and/or commission rate. Additionally, our clients may not receive volume discounts available to advisers who block client trades.

If GM+A combines transaction orders on behalf of multiple clients and allocates the securities or proceeds on an average price basis among the various participants in the transactions, GM+A and/or its associated persons may participate in such aggregated orders.

If GM+A aggregates client orders, in particular cases the average price could be less advantageous to a particular client than if such client had been the only client effecting the transaction or had completed its transaction before the other participants. There may be circumstances in which transactions on behalf of GM+A or its associated persons may not, under certain laws and regulations, be combined with those of some of our other clients. In such cases, neither the Firm nor any associated person will effect transactions in a security on the same day as clients until after the clients' transactions have been executed.

When orders are aggregated, the price paid by each account is the average price of the order. Transaction costs are allocated to each client by the client's custodian according to the client's custodial agreement. It is our policy that trades not be allocated in any manner that favors one group of clients over another over time. Client transactions may be aggregated according to custodial relationship in consideration of "trade away" charges that may be imposed if trades are directed to a non-custodial broker-dealer for execution. Aggregated trades placed with different executing brokers may be priced differently.

#### **ALLOCATION OF OPPORTUNITIES AND POTENTIAL CONFLICTS**

Because we manage multiple client accounts, there may be a conflict of interest related to the allocation of investment opportunities among all accounts managed by the Firm. We attempt to resolve all such conflicts in a manner that is fair to all clients over time. We may give advice and take action with respect to any of our clients that may differ from advice given or the timing or nature of action taken with respect to any other client, based upon individual client circumstances. It is our policy, to the greatest extent practicable, to allocate investment opportunities over a period of time on a fair and equitable basis relative to all clients. The Firm is not obligated to acquire for any client account any security that the Firm or its owners, officers, employees or affiliated persons may acquire for their own accounts or for the account of any other client, if in the discretion of the portfolio managers, based upon the client's financial condition and investment objectives and guidelines, it is not practical or desirable to acquire a position



in such security for that account.

### **13. REVIEW OF ACCOUNTS**

The account activity in all accounts under the custody of Charles Schwab & Co., Inc. is downloaded daily into our investment accounting software. A report is generated showing all activity and is reviewed daily by Richard Goldstein and/or Robert Munger.

Each account is reviewed at least quarterly to determine if it is out of balance compared to the account's target diversification percentages and cash reserve requirements. If the account is significantly out of balance, trades may be executed to restore the targeted balance.

The target diversification percentages and cash reserve requirements are the result of the process of identifying client goals and risk tolerance. These target percentages and reserve amounts may change with a client's financial situation. It is our expectation that clients will communicate significant changes in their financial circumstances when they occur or during regularly scheduled review meetings. We may also make changes to client portfolios at any time to reflect any changes to investment strategies employed by GM+A.

All reviews are performed by Richard Goldstein and Robert Munger. Both are responsible for all investment advisory activities and each is responsible for managing up to 50 client family relationships.

We provide clients with a quarterly performance report for each account. We also provide custom aggregate summary reports of monthly or quarterly activity when clients hold multiple accounts with GM+A. Clients' third party custodians will also send account statements, at least quarterly, directly to the client, reflecting all investment holdings and transactions. Clients are advised to carefully review those statements promptly as they are received and compare the custodian's account statements to GM+A reports.

### **14. CLIENT REFERRALS AND OTHER COMPENSATION**

GM+A does not pay referral fees to any third party firms or individuals for recommending the Firm to prospective clients, nor is the Firm or its employees paid referral fees by any third party for referring clients to their businesses. We do not direct brokerage transactions to any broker-dealer in exchange for receiving client referrals.

GM+A employees are not paid "sales awards" or other prizes for referring clients to the Firm.

### **15. CUSTODY OF CLIENT ASSETS**

GM+A does not maintain physical custody of client funds or securities. Clients are required to set up their investment accounts with a "qualified custodian," namely a broker dealer,

bank or trust company. We are unable to take even temporary possession of client assets for the purpose of transferring them to the client's account. Each client has a direct relationship with their custodian and is responsible for making deposits to and withdrawals from their accounts as necessary.

Clients may choose to authorize the Firm to receive payment of its management fees directly from the client's account, but the Firm will not be authorized to make any other withdrawals or to transfer money out of the account to a third party without client consent. In some cases, the Firm may have custody of a client's account pursuant to certain standing letters of authorization or other similar asset transfer authorization arrangements established by a client with a qualified custodian. In these cases, the Firm does not maintain physical custody of client funds or securities.

The Firm may also be deemed to have custody over a client's account in a limited number of cases where principals of the firm have been appointed as trustee of a client's trust. In these cases, the Firm does not maintain physical custody of client funds or securities. For all client accounts over which the Firm has been deemed to have custody due to a Trust arrangement, the Firm engages an independent public accountant, registered with and subject to inspection by the Public Company Accounting Oversight Board (PCAOB), to conduct an annual "surprise examination" to verify client assets in accordance with SEC regulations.

#### **Disclosures Related to Custodians**

Schwab generally acts as custodian and executing broker-dealer for GM+A clients. Schwab is independently owned and operated and not affiliated with us and does not supervise or otherwise monitor our investment management services to our clients.

For GM+A client accounts maintained in its custody, Schwab generally does not charge separately for custody but is compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through Schwab or that settle into client accounts that are held with Schwab. In most cases, trade executions for client accounts custodied at Schwab will be made by Schwab to avoid "trade away" charges otherwise imposed for trades executed at other broker-dealers. In cases where a desired security is not available for purchase or sale through the custodial broker, and in light of our best execution evaluation, certain executions may be made at a different broker-dealer.

Schwab sends account statements directly to the client (or to an independent third party representative designated by the client), at least quarterly, showing all funds and securities held, their current value and all transactions executed in the client's account, including the payment to GM+A of its investment management fees.

We urge you to carefully compare the statements you receive from your custodian against those you may receive from GM+A.

## **16. INVESTMENT DISCRETION**

Clients generally appoint us as their investment adviser and grant full trading and investment authority over their assets at the time they establish their investment accounts. The mechanism for granting GM+A discretionary authority over an account is the written execution of a Limited Power of Attorney for Trading Form from a client's third party custodian. Subject to the Firm's investment strategy and the client's investment objectives, our portfolio managers are given full discretion to determine:

1. Types of investments
2. The securities to buy and sell
3. The timing of any buys or sells
4. The amount of securities to buy or sell
5. The broker-dealer to be used in the transaction

This discretion may be limited by client investment guidelines and by any investment restrictions set by the client. Where possible, the Firm will attempt to negotiate the commission rates at which transactions for client accounts are effected with the objective of attaining the most favorable price and market execution for each transaction.

Non-discretionary accounts are accepted occasionally as an accommodation to enable clients to maintain all of their accounts with one custodian or advisory firm. We also accept and work with restrictions on the trading of securities as specified in investment policy statements for accounts that are managed on a discretionary basis.

## **17. VOTING CLIENT SECURITIES**

From time to time, a proxy vote arises when publicly traded companies and mutual funds need shareholder approval for certain actions. We vote the proxies for publicly traded companies and mutual funds that clients are invested in and for which we have management discretion. However, you always have the right to vote proxies yourself. You can exercise this right by instructing us in writing to not vote proxies in your account. For all other publicly traded companies and mutual funds that the client is invested in, it is the client's responsibility to vote proxies with the exception of those accounts whereby clients request that we retain proxy voting authority in writing and subject to separate terms as described at the bottom of this Item 17.

As a matter of policy and as a fiduciary to our clients, we have the responsibility for voting proxies for portfolio securities consistent with the client's best economic interest. We maintain written policies and procedures as to the handling, research, voting and reporting of proxy voting and make appropriate disclosures about our proxy policies and practices. Our policy includes the responsibility to monitor corporate actions, receive and vote client proxies and disclose any potential conflicts of interest as well as make information available to clients about the voting of proxies for the client's portfolio securities and maintain relevant and required records.

Summary of our proxy voting policies and procedures:

- Proxy votes will always be cast in a manner that is in a client's best interest
- The proxy voting process will be supervised by our Investment Committee
- Should any material conflict of interest be encountered in voting client proxies the appropriate remedy will be applied to resolve such conflicts
- Records will be maintained for five years of all communications and documents relating to proxy voting so that clients can obtain proxy voting information if desired

A complete copy of our Proxy Voting Policies & Procedures is available to clients upon written or verbal request. Clients may request, in writing, information on how proxies for his/her shares were voted.

For certain accounts whereby Goldstein Munger + Associates does not exercise investment discretion, but the client requests in writing that we retain Proxy Voting Authority, clients acknowledge that they are aware that proxy votes will be cast according to management's recommendation for all non-discretionary assets held in specified accounts.

## **18. STATEMENT OF FINANCIAL INFORMATION**

GM+A does not require or solicit prepayment of its management fees from clients six months or more in advance. There are no adverse conditions related to the Firm's finances that are likely to impair its ability to meet the Firm's contractual commitments to its clients. The Firm has not been the subject of a bankruptcy filing in the last ten years.