



# FORM ADV Part 2A Firm Brochure

March 29, 2022

## Versant Capital Management, Inc.

SEC File Number: 801-63192

### Item 1- Identification

#### Principal Business Address

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This Brochure provides information about the qualifications and business practices of Versant Capital Management, Inc. If you have any questions about the contents of this Brochure, please contact Versant Capital Management's Chief Compliance Officer, Elizabeth M. Shabaker, at (602) 635-3760 or [lizs@versantcm.com](mailto:lizs@versantcm.com). The information contained in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Versant Capital Management, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Versant Capital Management, Inc. is a registered investment adviser. Registration of an Investment Adviser does not imply a certain level of skill or training.

## Item 2 - Material Changes

Versant Capital Management, Inc. ("Versant" or "the Firm" or "we") is required to amend its Brochure and ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year of December 31. We will further provide you with a new Brochure as necessary based on material changes or new information, at any time, without charge upon request.

**This section of the Brochure will address only those material changes that have been incorporated since our annual amendment filing on March 29, 2021:**

Since our last annual amendment filing made on March 29, 2021, we have updated this Brochure to reflect the following material change:

- Item 14: Client Referrals and Other Compensation - Updated to reflect that Versant has terminated its Investment Advisory Solicitors Agreement with Evolve Cross Border Investments, LLC ("Evolve"). Pursuant to the agreement, such termination will only be effective as to future solicitations.

### Item 3 – Table of Contents

Item 1	Identification	1
Item 2	Material Changes	2
Item 3	Table of Contents	3
Item 4	Advisory Business	4
Item 5	Fees and Compensation	11
Item 6	Performance-Based Fees and Side-By-Side Management	13
Item 7	Types of Clients	14
Item 8	Methods of Analysis, Investment Strategies, and Risk of Loss <sup>9</sup>	14
Item 9	Disciplinary Information	17
Item 10	Other Financial Industry Activities and Affiliations	17
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	18
Item 12	Brokerage Practices	19
Item 13	Review of Accounts	22
Item 14	Client Referrals and Other Compensation	23
Item 15	Custody	24
Item 16	Investment Discretion	24
Item 17	Voting Client Securities	25
Item 18	Financial Information	26

## **Item 4 – Advisory Business**

### **Section A - THE COMPANY**

Versant is organized as a corporation under the laws of the State of Arizona. Versant was formed in March of 2004, and has been registered as an Investment Adviser with the United States Securities and Exchange Commission since May 2004. Versant is owned by the following two trusts: 1) The Connelly Family Trust U/A dtd 02/01/1994, for which Thomas J. Connelly and Shauna V. Connelly serve as Trustees; and 2) The Elizabeth M. Shabaker Revocable Trust U/A dtd 07/19/2013, for which Elizabeth M. Shabaker serves as Trustee.

### **Section B - TYPES OF ADVISORY SERVICES**

As discussed below, Versant offers discretionary and non-discretionary investment advisory, financial planning, and related consulting services to high net-worth clients, including individuals, families, and their related entities (e.g., trusts, estates, and private foundations) as well as pension and profit-sharing plans, charitable organizations, corporations, and business entities.

Comprehensive wealth management services include investment advice, financial planning, estate planning and administration, succession planning, charitable planning, tax planning, as well as family governance and next-generation education.

#### **Investment Advisory Services**

Versant's investment advisory services are currently limited to the management of investment portfolios in accordance with the investment objectives of the client. The client can determine to engage Versant to provide discretionary and/or non-discretionary investment advisory services on a fee-only basis.

Versant provides Investment Advisory Services, defined as giving continuous advice to a client or making investments for a client based on the individual needs of the client. Through personal discussions and cash flow modeling, in which goals and objectives based on a client's particular circumstances are established, Versant develops a client's personal investment policy and creates and manages a portfolio based on that policy. Accounts within the portfolio are managed in accordance with the stated objectives of the client (i.e., maximum capital appreciation, growth, income, or growth and income) and other considerations, including time horizon, tax issues, liquidity, and other relevant guidelines. Client portfolios are diversified across a variety of asset classes consistent with a client's suitability, overall investment strategy, and risk tolerance.

#### **Online Portfolios**

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

Versant, and not Schwab, is the client's investment adviser and primary point of contact with respect to the OPP. As between Versant and Schwab, Versant is solely responsible, and Schwab is not responsible, for determining the appropriateness of the OPP for the client, choosing a suitable investment strategy and portfolio for the client's investment needs and goals, and managing that

portfolio on an ongoing basis. Versant has contracted with SPT to provide Versant with the Platform, which consists of technology and related trading and account management services for the OPP. The Platform enables Versant to make the OPP available to clients online and includes a system that automates certain key parts of its investment process (the "System"). The System includes an online questionnaire that helps Versant determine the client's investment objectives and risk tolerance and select an appropriate investment strategy and portfolio. Clients should note that Versant will recommend a portfolio via the System in response to the client's answers to the online questionnaire. The client may then indicate an interest in a portfolio that is one level less or more conservative or aggressive than the recommended portfolio, but Versant then makes the final decision and selects a portfolio based on all the information it has about the client. The System also includes an automated investment engine through which Versant manages the client's portfolio on an ongoing basis through automatic rebalancing and tax-loss harvesting (if the client is eligible and elects).

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

Versant does not pay SPT fees for the Platform so long as it maintains \$100 million in client assets in accounts at CS&Co. that are not enrolled in the OPP. If Versant does not meet this condition, then it must pay SPT an annual licensing fee of 0.10% of the value of its clients' assets in the OPP. This arrangement presents a conflict of interest, as it provides an incentive for Versant to recommend that clients maintain their accounts at CS&Co. Notwithstanding, Versant may generally recommend to its clients that investment management accounts be maintained at CS&Co. based on the considerations discussed in Item 12 below, which mitigates this conflict of interest.

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

#### Rebalancing

The System will rebalance a client's account periodically by generating instructions to CS&Co. to buy and sell shares of ETFs and depositing or withdrawing funds through the "Sweep Program", considering the asset allocation for the client's investment strategy. Rebalancing trade instructions can be generated by the System when (i) the percentage allocation of an ETF varies by a set parameter established by Versant, (ii) Versant decides to change the ETFs or their percentage allocations for an investment strategy or (iii) Versant decides to change a client's investment strategy, which could occur, for example, when a client makes changes to their investment profile or imposes or modifies restrictions on the management of their account. Accounts below \$5,000 may deviate farther than the set parameters as well as the target allocation of the selected investment profile. Rebalancing below \$5,000 may impact the ability to maintain positions in selected asset classes due to the inability to buy or sell at least one share of an ETF. For example, withdrawal requests may require entire asset classes to be liquidated to generate and disburse the requested cash.

#### Sweep Program

Each investment strategy involves a cash allocation ("Cash Allocation") that will be held in a sweep program at Charles Schwab Bank (the "Sweep Program"). The Cash Allocation will be a minimum of 4% of an account's value to be held in cash, and may be higher, depending on the investment

strategy chosen for a client. The Cash Allocation will be accomplished through enrollment in the Sweep Program, a program sponsored by CS&Co. By enrolling in the OPP, clients consent to having the free credit balances in their brokerage accounts at CS&Co. swept into deposit accounts ("Deposit Accounts") at Charles Schwab Bank ("Schwab Bank") through the Sweep Program. Schwab Bank is an FDIC-insured depository institution that is a Schwab affiliate. The Sweep Program is a required feature of the OPP. If the Deposit Account balances exceed the Cash Allocation for a client's investment strategy, the excess over the rebalancing parameter will be used to purchase securities as part of rebalancing. If clients request cash withdrawals from their accounts, this likely will require the sale of ETF positions in their accounts to bring their Cash Allocation in line with the target allocation for their chosen investment strategy. If those clients have taxable accounts, those sales may generate capital gains (or losses) for tax purposes. In accordance with an agreement with CS&Co., Schwab Bank has agreed to pay an interest rate to depositors participating in the Sweep Program that will be determined by reference to an index.

**Comprehensive Investment Advisory, Financial Planning, and Consulting Services (Wealth Management)**

Versant also provides comprehensive investment advisory, financial planning, and consulting services on a fee-only basis in accordance with the traditional fee table described in Item 5A, based upon the amount of the assets placed under management and the level and scope of the financial planning and consulting services (see Comprehensive Investment Advisory, Financial Planning, and Consulting Services). Comprehensive wealth management services include investment advice, financial planning, estate planning and administration, succession planning, charitable planning, tax planning, as well as family governance and next-generation education.

In the event a client requires extraordinary planning and/or consultation services (to be determined in the sole discretion of Versant), Versant may determine to charge for such additional services, the dollar amount of which shall be set forth in a separate written notice to the client.

**Financial Planning and Consulting Services (Stand-Alone)**

To the extent requested by a client, Versant may determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone separate fee basis. Versant's planning and consulting fees are negotiable, but generally range from \$300 to \$500 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s). Versant may also provide consulting services on a mutually agreed upon fixed-fee basis. Prior to engaging Versant to provide planning or consulting services, clients are generally required to enter into a Financial Planning and Consulting Agreement between the parties, setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to Versant commencing services. If requested by the client, Versant may recommend the services of other professionals for implementation purposes. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Versant.

If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. At all times, the engaged licensed professional(s) (i.e., attorney, accountant, insurance agent, etc.), and not Versant, shall be responsible for the quality and competency of the services provided.

It remains the client's responsibility to promptly notify Versant if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising Versant's previous recommendations and/or services.

### **Retirement Rollovers-No Obligation/Conflict of Interest**

A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If Versant recommends that a client roll over their retirement plan assets into an account to be managed by Versant, such a recommendation creates a conflict of interest if Versant will earn new (or increase its current) compensation as a result of the rollover. If Versant provides a recommendation as to whether a client should engage in a rollover or not (whether it is from an employer's plan or an existing IRA), Versant is acting as a fiduciary within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. No client is under any obligation to rollover retirement plan assets to an account managed by Versant.

### **ERISA PLAN and 401(k) INDIVIDUAL ENGAGEMENTS**

#### **Trustee Directed Plans**

Versant may be engaged to provide discretionary investment advisory services to ERISA retirement plans, whereby the Firm shall manage Plan assets consistent with the investment objective designated by the Plan trustees. In such engagements, Versant will serve as an investment fiduciary as that term is defined under The Employee Retirement Income Security Act of 1974 ("ERISA"). Versant will generally provide services on an "assets under management" fee basis per the terms and conditions of an *Investment Advisory Agreement* between the Plan and the Firm.

#### **Participant Directed Retirement Plans**

Versant may also provide investment advisory and consulting services to participant directed retirement plans per the terms and conditions of a *Retirement Plan Services Agreement* between Versant and the plan. For such engagements, Versant shall assist the Plan sponsor with the selection of an investment platform from which Plan participants shall make their respective investment choices (which may include investment strategies devised and managed by Versant), and, to the extent engaged to do so, may also provide corresponding education to assist the participants with their decision-making process.

#### **Client Retirement Plan Assets**

If requested to do so, Versant shall provide investment advisory services relative to 401(k) plan assets maintained by the client in conjunction with the retirement plan established by the client's employer. In such event, Versant shall allocate (or recommend that the client allocate) the retirement account assets among the investment options available on the 401(k) platform. Versant's ability shall be limited to the allocation of the assets among the investment alternatives available through the plan. Versant will not receive any communications from the plan sponsor or custodian, and it shall remain the client's exclusive obligation to notify Versant of any changes in investment alternatives, restrictions, etc. pertaining to the retirement account. Unless expressly indicated by Versant to the contrary, in writing, the client's 401(k) plan assets shall be included as assets under management for purposes of Versant calculating its advisory fee.

### **Miscellaneous**

#### **Planning and Non-Investment Consulting/Implementation Services**

To the extent specifically requested by the client, Versant may provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. We do not serve as an attorney, accountant, or insurance agency, and no portion of our services should be construed as same. Accordingly, we do not prepare estate planning documents, tax returns or sell

insurance products. To the extent requested by a client, we may recommend the services of other professionals for certain non-investment implementation purpose (i.e., attorneys, accountants, insurance, etc.). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Versant.

If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. At all times, the engaged licensed professional(s) (i.e., attorney, accountant, insurance agent, etc.), and not Versant, shall be responsible for the quality and competency of the services provided.

It remains the client's responsibility to promptly notify Versant if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising Versant's previous recommendations.

### **Variable Products**

Versant also may render investment advisory services to clients relative to: (1) a variable investment product that they may own, and/or (2) their individual employer-sponsored retirement plans. In so doing, Versant either directs or recommends the allocation of client assets among the various mutual investment alternatives (generally mutually funds) that comprise the variable life/annuity product or the retirement plan. The client assets shall be maintained at either the specific insurance company that issued the variable life/annuity product, which is owned by the client, or at the custodian designated by the sponsor of the client's retirement plan. In the event that Versant is requested to provide advisory services with respect to a variable investment product and/or retirement plan sponsored by the client's employer, Versant's advice is limited to the investment alternatives provided by the variable product and/or retirement plan sponsor.

### **Independent Managers**

Versant may allocate (and/or recommend that the client allocate) a portion of the client's investment assets among unaffiliated independent investment managers in accordance with the client's designated investment objective(s). In such situations, the Independent Manager(s) shall have day-to-day responsibility for the active discretionary management of the allocated assets. Versant shall continue to render investment supervisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation, and client investment objectives. Factors which Versant shall consider in recommending Independent Manager[s] include the client's designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research. **Please Note:** The investment management fee charged by the Independent Manager[s] is separate from, and in addition to, Versant's advisory fee as set forth in the fee schedule at Item 5 below.

### **Non-Discretionary Service Limitations**

Clients that determine to engage Versant on a non-discretionary investment advisory basis must be willing to accept that Versant cannot affect any account transactions without obtaining prior consent to any such transaction(s) from the client. Thus, in the event that Versant would like to make a transaction for a client's account, and the client is unavailable, Versant will be unable to affect the account transaction (as it would for its discretionary clients) without first obtaining the client's consent.

### **Use of Mutual and Exchange Traded Funds**

Most mutual funds and exchange traded funds are available directly to the public. Thus, a prospective client can obtain many of the funds that may be utilized by Versant independent of engaging Versant as an investment advisor. However, if a prospective client determines to do so, he/she will not receive the Versant's initial and ongoing investment advisory services.



### **Liquidity Constraints**

Versant may utilize mutual funds and/or exchange traded funds that provide for limited liquidity, generally on a quarterly basis. Thus, if we determined that the fund was no longer performing or if you ever determined to transfer your account, the Fund could not be sold or transferred immediately. Rather, sale or transfer would need to await the quarterly permitted sale date. Moreover, the eventual net asset value for the Fund could be substantially different (positive or negative) than the Fund value on the date that the sale was requested. There can be no assurance that any such strategy will prove profitable or successful. In light of these enhanced risks/rewards, a client may direct Versant, in writing, not to employ any or all such strategies for the client's account.

### **Use of DFA, Stone Ridge, and Elements Mutual Funds**

Versant utilizes mutual funds issued by Dimensional Fund Advisors ("DFA"), Stone Ridge Funds ("Stone Ridge"), and Elements Funds ("Elements"). These funds are generally only available through certain registered investment advisers. Thus, if the client were to terminate Versant's services, and not transition to another adviser who utilizes DFA, Stone Ridge funds, and Elements, restrictions regarding additional purchases, or reallocation among other, of these funds will generally apply.

### **Portfolio Activity**

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

### **Quovo: Account Aggregation**

Versant, in conjunction with the services provided by Quovo, may also provide periodic comprehensive reporting services which can incorporate all of the client's investment assets, including those investment assets that are not part of the assets managed by Versant (the "Excluded Assets"). The client and/or their other advisors that maintain trading authority, and not Versant, shall be exclusively responsible for the investment performance of the Excluded Assets. Unless otherwise specifically agreed to, in writing, Versant's service relative to the Excluded Assets is limited to reporting only. The sole exception to the above shall be if Versant is specifically engaged to monitor and/or allocate the assets within the client's 401(k) account maintained away at the custodian directed by the client's employer. As such, except with respect to the client's 401(k) account (if applicable), Versant does not maintain any trading authority for the Excluded Assets. Rather, the client and/or the client's designated other investment professional(s) maintain supervision, monitoring and trading authority for the Excluded Assets. If Versant is asked to make a recommendation as to any Excluded Assets, the client is under absolutely no obligation to accept the recommendation, and Versant shall not be responsible for any implementation error (timing, trading, etc.) relative to the Excluded Assets. In the event the client desires that Versant provide investment management services for the Excluded Assets, the client may engage Versant to do so pursuant to the terms and conditions of the Investment Advisory Agreement between Versant and the client.

### **Client Obligations**

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

### **Disclosure Statement**

A copy of Versant's written Brochure as set forth on Form ADV Part 2A shall be provided to each client prior to, or contemporaneously with, the execution of an Agreement between Versant and the client (i.e., Investment Advisory Service Agreement and/or Comprehensive Investment Advisory Services with Financial Planning Agreement).

### **Section C - TAILORED ADVISORY SERVICES**

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

### **Section D - WRAP FEE PROGRAMS**

Versant does not participate in a wrap fee program.

### **Section E - ASSETS UNDER MANAGEMENT**

As of December 31, 2020, Versant had a total of \$849,995,557 in assets under management. Of this amount, \$805,925,436 is managed on a discretionary basis and \$44,070,121 is managed on a non-discretionary basis.

## Item 5 – Fees and Compensation

### Section A - COMPENSATION

The client can determine to engage Versant to provide the following types of advisory services on a fee-only basis.

#### Investment Advisory Services

Versant provides discretionary and non-discretionary investment advisory services on a fee-only basis. Versant's annual investment advisory fee shall be based upon a percentage (%) of the market value and type of assets under Versant's management (between negotiable and 1.2%) as follows:

Market Value of Portfolio	% of Assets
Up to \$500,000	1.20%
\$500,001 up to \$2,000,000	1.00%
\$2,000,001 up to \$5,000,000	0.75%
\$5,000,001 up to \$10,000,000	0.48%
\$10,000,001 up to \$20,000,000	0.31%
Over \$20,000,001	Negotiable

#### Comprehensive Investment Advisory, Financial Planning, and Consulting Services (Wealth Management)

Versant also provides comprehensive investment advisory services, financial planning, and consulting services on a fee-only basis in accordance with the traditional fee table below based upon the amount of assets placed under management and the level and scope of the financial planning and consulting services:

Comprehensive Investment Advisory, Financial Planning  
and Consulting Fee Schedule

Assets Subject to Agreement				Annual Fees			Total Fees @ Category Max. as % of Assets
				Base Fee	% in Addition to Base Fee	Of the Amount Over	
\$ -	to	\$ 2,000,000	\$	20,000	+	0.00%	\$ - 1.000%
\$ 2,000,001	to	\$ 5,000,000	\$	20,000	+	1.00%	\$ 2,000,000 1.000%
\$ 5,000,001	to	\$ 10,000,000	\$	50,000	+	0.75%	\$ 5,000,000 0.875%
\$ 10,000,001	to	\$ 15,000,000	\$	87,500	+	0.50%	\$ 10,000,000 0.750%
\$ 15,000,001	to	\$ 20,000,000	\$	112,500	+	0.45%	\$ 15,000,000 0.675%
\$ 20,000,001	to	\$ 35,000,000	\$	135,000	+	0.40%	\$ 20,000,000 0.557%
\$ 35,000,001	to	\$ 50,000,000	\$	195,000	+	0.25%	\$ 35,000,000 0.465%
\$ 50,000,001	and	Above	\$	232,500	+	0.15%	\$ 50,000,000

Fees are negotiable. In the event that the client requires extraordinary planning and/or consultation services (to be determined in the sole discretion of Versant), Versant may determine to charge for such additional services, the dollar amount of which shall be set forth in a separate written notice to the client.

Versant offers a courtesy discount on gross annual fees for Comprehensive Advisory, Financial Planning, and Consulting Services to select 501(c)(3) organizations.

### **Online Portfolios**

When consistent with a client's investment objectives, Versant may offer portfolio management services through its Online Portfolios Program (the "OPP"), an automated investment program through which clients are invested in a range of investment strategies Versant has constructed and manages. Versant's investment management fee for Program accounts shall be as follows:

Market Value of Portfolio	% of Assets
Up to \$10,000	1.00%
\$10,001 up to \$20,000	0.75%
\$20,001 up to \$30,000	0.50%
Over \$30,001	0.25%

### **Financial Planning and Consulting Services (Stand-Alone)**

To the extent requested by the client, Versant may determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone separate fee basis. Versant's planning and consulting fees are negotiable, but generally range from \$300 to \$500 on an hourly rate basis, depending on the level and scope of the service(s) required and the professional(s) rendering the service(s). Versant may also provide consulting services on a mutually agreed upon fixed-fee basis.

## **Section B - DEDUCTION OF ADVISORY FEES AND DIRECT BILLING**

Clients may elect to have Versant's advisory fees deducted from their custodial account. Versant's Agreement (i.e., Investment Advisory Service Agreement and/or Investment Advisory Services with Financial Planning Agreement) and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of Versant's investment advisory fee and directly remit that management fee to Versant in compliance with regulatory procedures. In the limited event that Versant bills the client directly, payment is due upon receipt of the invoice. Versant shall deduct fees and/or bill clients quarterly in arrears based upon the market value of the assets on the last business day of the previous calendar quarter.

## **Section C - OTHER FEES AND EXPENSES**

As discussed below, unless the client directs otherwise or an individual client's circumstances require, Versant shall generally recommend that Charles Schwab and Co., Inc. ("Schwab") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as Schwab charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e., transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). Clients will incur, in addition to Versant's investment management fee, brokerage commissions and/or transaction fees, and, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g., management fees and other fund expenses).

### **Tradeaway/Prime Broker Fees**

When in the reasonable determination of Versant that it would be beneficial for the client, individual equity and/or fixed income transactions may be executed through broker-dealers other than the account custodian. In that event, the client will generally incur both the fee (commission, mark-up/mark-down) charged by the executing broker-dealer and a separate “tradeaway” and/or prime broker fee charged by the account custodian.

### **Asset Based Pricing Limitations**

Relative to Independent Manager engagements, Versant, depending upon anticipated trading activity of the recommended Independent Manager, may recommend that its clients consider entering into an asset-based pricing agreement with the account custodian. Under an asset-based pricing arrangement, the amount that a client will pay the custodian for account commission/transaction fees is based upon a percentage (%) of the market value of your account, generally expressed in basis points. One basis point is equal to one one-hundredth of one percent (1/100th of 1%, or 0.01% (0.0001). This differs from transaction-based pricing, which assesses a separate commission/transaction fee against your account for each account transaction. Account investment decisions are driven by security selection and anticipated market conditions and not the amount of transaction fees payable by you to the account custodian. We do not receive any portion of the asset-based transaction fees payable by you to the account custodian. We continue to believe that our clients can benefit from an asset-based pricing arrangement. You can request at any time to switch from asset-based pricing to transactions-based pricing. However, there can be no assurance that the volume of transactions will be consistent from year-to-year given changes in market events and security selection. Thus, given the variances in trading volume, any decision by you to switch to transaction-based pricing could prove to be economically disadvantageous.

### **Section D - BILLING METHODOLOGY**

Versant's annual investment advisory fee shall be prorated and paid quarterly, in arrears, and shall be based on the market value of the assets on the last business day of the previous quarter. Corporate cash management and charitable accounts may be billed at rates lower than above at Versant's discretion. Fees are payable on a pro-rated basis for periods covering less than a calendar quarter and are generally not negotiable.

Versant's investment advisory fee is negotiable at Versant's discretion, depending upon objective and subjective factors including but not limited to: the amount of assets to be managed; portfolio composition; the scope and complexity of the engagement; the anticipated number of meetings and servicing needs; related accounts; future earning capacity; anticipated future additional assets; the professional(s) rendering the service(s); prior relationships with Versant and/or its representatives, and negotiations with the client. As a result of these factors, similarly situated clients could pay different fees, the services to be provided by Versant to any particular client could be available from other advisers at lower fees, and certain clients may have fees different than those specifically set forth above.

### **Section E - COMPENSATION RELATED TO SALE OF SECURITIES**

Neither Versant, nor any employee of Versant accepts compensation from the sale of securities or other investment products.

### **Item 6 – Performance Based Fees and Side-by-Side Management**

Neither Versant, nor any employee of Versant, accepts performance-based fees and/or compensation.

## Item 7 – Types of Clients

Versant's clients generally include high net-worth individuals, families and their related entities, including trusts, estates, and private foundations, as well as pension and profit-sharing plans, charitable organizations, corporations and business entities.

Versant's basic fee schedule for Comprehensive Investment Advisory, Financial Planning and Consulting Services (Wealth Management) is generally subject to a minimum annual fee of \$20,000 and is further described in Item 5. Typically, Versant requires a minimum asset level of \$2,000,000 for comprehensive services. Versant, in its sole discretion, may reduce or waive its annual minimum fee and/or require a lesser minimum asset level based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.). **Please Note:** If you maintain less than \$2 million in assets under Versant's management, and are subject to the \$20,000 annual minimum fee, you will pay a higher percentage Annual Fee than the 1.00% referenced in the above fee schedule.

## Item 8 - Methods of Analysis, Strategies, and Risk of Loss

### Section A - METHODS OF ANALYSIS

Versant may utilize the following methods of security analysis:

- **Charting** - A chart is a historical record of price movements. This type of technical analysis is performed using patterns to identify current trends and trend reversals to forecast the direction of prices. However, there is no guarantee in finding these tendencies and patterns or that historical records are an indicator of current or future movements.
- **Fundamental** - Fundamental analysis utilizes real data to evaluate a security's value and is performed on historical and present data, with the goal of making financial forecasts. For example, fundamental analysis can be performed on a bond's value by looking at economic factors, such as interest rates and the overall state of the economy, and information about the bond issuer, such as potential changes in credit ratings. For assessing stocks, this method uses revenues, earnings, future growth, profit margins, return on equity, etc., to determine a company's underlying value and potential for future growth. Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down with the overall market regardless of the economic and financial factors considered in evaluating a security.
- **Cyclical** - Cyclical analysis is performed on historical relationships between price and market trends, to forecast the direction of prices. There are industries in which profits rise and fall on a cyclical basis. As profits of companies follow cyclical patterns, so do their stocks; reflecting the current stage of the business cycle. There are a variety of industries that can be described as having distinct business cycles: oil and gas, semi-conductors, mining, home-building, etc. Their main feature is that their profits, and thus stock prices, follow similar rising and falling patterns over the long run. There is no guarantee that historical trends will indicate current cycles.

The main sources of information that Versant uses include publicly available sources, including newspapers, company press releases, annual reports, corporate rating services, and sources of independent investment analysis, as well as internal research developed by Versant's Chief Investment Officer.

## **Section B - INVESTMENT STRATEGIES USED WHEN IMPLEMENTING INVESTMENT ADVICE**

Investment advice provided by Versant is based on a number of factors, including, but not limited to, client investment objectives, risk tolerance, time horizons, liquidity needs, and asset-class preferences, as well as current market views. Versant will determine a client's investor profile and prepare a proposed investment policy (asset allocation) appropriate for that profile. Versant's investment strategies attempt to achieve diversification by investing over time, across asset classes, within asset classes, across investment styles, etc.

Versant may utilize the following investment strategies when implementing investment advice for clients:

- Long-Term Purchases (securities held at least a year).
- Short-Term Purchases (securities sold within a year)

### **Investment Risk**

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

## **Section C - INVESTMENT RISK**

Versant's methods of analysis and investment strategies do not present any significant or unusual risks. However, every method of analysis has its own inherent risks. To perform an accurate market analysis, Versant must have access to current/new market information. Versant has no control over the dissemination rate of market information; therefore, unbeknownst to Versant, certain analyses may be compiled with outdated market information, severely limiting the value of Versant's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

Versant's primary investment strategies - Long-Term Purchases, Short-Term Purchases - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop, but as a result of more frequent trading, may incur higher transactional costs when compared to a longer-term investment strategy.

### **Margin Strategies**

Versant does not typically recommend the use of margin as an investment strategy. A margin strategy would require the client to borrow money leveraged against securities held to purchase additional securities. However, if a client determines to use margin to purchase assets that Versant will manage, Versant would include the entire market value of the margined assets when computing its advisory fee, which would present a conflict of interest to the extent it increases Versant's advisory fee. Another conflict of interest would arise if Versant has an economic disincentive to recommend that the client terminate the use of margin. The terms and conditions of each margin loan are contained in a separate agreement between the client and the margin lender selected by the client, which terms and conditions may vary from client to client.

Borrowing funds on margin is not suitable for all clients and is subject to certain risks, including but not limited to: increased market risk, increased risk of loss, especially in the event of a significant downturn; liquidity risk; the potential obligation to post collateral or repay the margin if the margin Lender determines that the value of collateralized securities is no longer sufficient to support the value of the margin; and the risk that the margin lender may liquidate the client's securities to satisfy

its demand for additional collateral or repayment / the risk that the margin lender may terminate the margin at any time. Before agreeing to participate in a margin program, clients should carefully review the applicable margin agreement and all risk disclosures provided by the margin lender including the initial margin and maintenance requirements for the specific program in which the client enrolls, and the procedures for issuing “margin calls” and liquidating securities and other assets in the client’s accounts.

Currently, Versant primarily allocates client investment assets among various equity securities, corporate debt securities, commercial paper, certificates of deposit, municipal securities, investment company securities, stocks, bonds, no-load, load-waived, front-load mutual funds, and Exchange Traded Funds on a discretionary and non-discretionary basis in accordance with the client’s designated investment objective(s).

Versant will create a portfolio consisting primarily of stocks, bonds, no-load, load-waived, front-load mutual funds, and Exchange Traded Funds, and will allocate the client’s assets among various investments taking into consideration the overall management style selected by the client. The mutual funds will be selected on the basis of any or all of the following criteria: fund costs, the fund’s performance history; the industry sector in which the funds invest; the track record of the fund’s manager; the fund’s investment objectives; the fund’s management style and philosophy; and the fund’s management fee structure. Portfolio weighting will be determined by each client’s individual needs and circumstances. Client will have the opportunity to place reasonable restrictions on the types of investments which will be made on the client’s behalf. Clients will retain individual ownership of all securities.

### **Online Portfolios**

#### **ETF General Risks**

ETFs in which the strategy may invest involve certain inherent risks generally associated with investments in a portfolio of securities, including the risk that the general level of security prices may decline, thereby adversely affecting the value of each unit of the ETF. Moreover, an ETF may not fully replicate the performance of its benchmark index because of the temporary unavailability of certain index securities in the secondary market or discrepancies between the ETF and the index with respect to the weighting of securities or the number of securities held. ETFs in which the strategies invest have their own fees and expenses as set forth in the ETF prospectuses. ETFs may have exposure to derivative instruments, such as futures contracts, forward contracts, options, and swaps. There is a risk that a derivative may not perform as expected. The main risk with derivatives is that some types can amplify a gain or loss, potentially earning or losing substantially more money than the actual cost of the derivative, or that the counterparty may fail to honor its contract terms, causing a loss for the ETF. Use of these instruments may also involve certain costs and risks such as liquidity risk, interest rate risk, market risk, credit risk, management risk, and the risk that an ETF could not close out a position when it would be most advantageous to do so. Some ETFs available, including Schwab ETFs™, are less than 10 years old. Accordingly, there is limited data available to use when assessing the investment risk of some of these ETFs. As a result, one or more of the following may occur: (i) poor liquidity in or limited availability of the ETFs, or (ii) lack of market depth causing the ETFs to trade at excessive premiums or discounts.

#### **Investment Strategy Risks**

There are risks associated with the long-term core strategic holdings for each of the investment strategies. The more aggressive the investment strategy selected, the more likely the portfolio will contain larger weights in riskier asset classes, such as equities.

Versant allocates investment management assets directed to the Online Portfolios, on a discretionary basis, among one or more of its asset allocation programs (i.e., Aggressive, Moderately



Aggressive, Moderate, and Conservative) as designated through the investment risk analysis process. Versant's management in this respect seeks to comply with the requirements of Rule 3a-4 of the Investment Company Act of 1940. Rule 3a-4 provides similarly managed investment programs, such as Versant's asset allocation programs, with a non-exclusive safe harbor from the definition of an investment company. In accordance with Rule 3a-4, the following disclosure is applicable to Versant's management of client assets:

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

Versant believes that its annual investment advisory fee is reasonable in relation to: (1) the advisory services provided under the Financial Planning and Investment Management Agreement; and (2) the fees charged by other investment advisers offering similar services/programs. However, Versant's annual investment advisory fee may be higher than that charged by other investment advisers offering similar services/programs. In addition to Versant's annual investment advisory fee, the client will also incur charges imposed directly at the mutual and exchange traded fund level (e.g., management fees and other fund expenses). Please Note: Versant's investment programs may involve above-average portfolio turnover which could negatively impact upon the net after-tax gain experienced by an individual client in a taxable account

#### **Item 9 – Disciplinary Action**

Versant has not been the subject of any disciplinary actions.

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

##### **Section A - BROKER DEALER**

Neither Versant, nor its employees, are registered or have an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

## **Section B - COMMODITY POOL OPERATOR AND COMMODITY TRADING ADVISOR**

Neither Versant, nor its employees, are registered or have an application pending to register as a futures commission merchant, commodity pool operator, commodity trading advisor, or a representative of the foregoing.

## **Section C - OTHER RELATIONSHIPS AND/OR ARRANGEMENTS MATERIAL TO VERSANT'S ADVISORY BUSINESS**

### **DISCLOSURE**

Thomas J. Connelly, Versant's President and Chief Investment Officer, is a shareholder of National Advisor Holdings, Inc. ("NAH"), a Delaware corporation organized in August of 1999. Mr. Connelly holds less than 3%, in the aggregate, of the outstanding stock of NAH. NAH has chartered a new institution through the Office of Thrift Supervision to be known as National Advisors Trust Company ("NATC"). NATC provides trust services to clients of registered investment advisory firms such as Versant, across the United States.

Because Mr. Connelly has an interest in NAH, and therefore indirectly has an interest in NATC, fees earned by NATC will accrue to the benefit of Mr. Connelly, in his capacity as a NAH shareholder, and thus create a conflict of interest. However, Versant's clients will be able to make the determination as to whether to use the trust services of NATC and may choose to use another fiduciary and still retain Versant to provide investment advice to the client.

- **Conflict of Interest:** The recommendation by either Thomas J. Connelly, or other employee, that a client utilize the trust services of NATC presents a material conflict of interest, as the receipt of compensation, indirect as it may be, may provide an incentive to recommend the trust services of NATC, rather than based on a particular client's need. No client is under any obligation to engage the trust services of NATC. Clients are reminded that they may use other non-affiliated broker dealers for custodial services.

## **Section D - SELECTION OF OTHER INVESTMENT ADVISERS**

Versant does not receive, directly or indirectly, compensation from investment advisers that it recommends or selects for its clients.

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

### **Section A - CODE OF ETHICS**

Versant maintains an investment policy relative to personal securities transactions. This investment policy is part of Versant's overall Code of Ethics, which serves to establish a standard of business conduct for all Versant's employees that is based upon fundamental principles of openness, integrity, honesty, and trust. A copy of Versant's Code of Ethics is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, Versant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by Versant or any person associated with Versant.

### **Section B, C, and D - PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**

**B.** Neither Versant nor any employee recommends, buys, or sells, for client accounts, securities in which Versant or any related person of Versant has a material financial interest.

**C.** Versant and/or employees of Versant may buy or sell securities that are also recommended to clients. This practice may create a situation where Versant and/or its employees are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price following the recommendation) could take place if Versant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of Versant's clients) and other potentially abusive practices.

Versant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of Versant's "Access Persons". Versant's securities transaction policy requires that Access Persons provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Access Persons must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period, and must report their securities transactions quarterly, subject to limited exceptions. Supervised Persons must also obtain pre-approval from the Chief Compliance Officer to invest in initial public offerings and private placements.

**D.** Versant and/or its employees may buy or sell securities at or around the same time as those securities recommended to clients. This practice creates a situation where Versant and/or its employees are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a conflict of interest. As indicated above in Item 11.C, Versant has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each its Access Persons.

## **Item 12 – Brokerage Practices**

### **Section A - SELECTION CRITERIA FOR BROKERS AND DEALERS**

In the event the client requests that Versant recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct Versant to use a specific broker-dealer/custodian), Versant generally recommends that investment management accounts be maintained at Schwab. Prior to engaging Versant to provide investment management services, the client will be required to enter into a formal Agreement with Versant (i.e., Investment Advisory Services Agreement and/or Investment Advisory with Financial Planning Services Agreement) setting forth the scope of services and terms and conditions under which Versant shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that Versant considers in recommending Schwab (or any other broker-dealer/custodian to clients) include historical relationship with Versant, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Versant's clients shall comply with Versant's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where Versant determines, in good faith, that the commission/transaction fee is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services including the value of research provided, execution capability, commission rates, and

responsiveness. Accordingly, although Versant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Versant's investment management fee. Versant's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

### **1. Research and Additional Benefits**

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

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

Versant's clients do not pay more for investment transactions effected and/or assets maintained at Schwab as a result of this arrangement. There is no corresponding commitment made by Versant to Schwab or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement. **Versant's Chief Compliance Officer, Elizabeth M. Shabaker, remains available to address any questions that a client or prospective client may have regarding the above Schwab arrangement and any corresponding perceived conflict of interest ssuch arrangement may create.**

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

Versant does not receive referrals from broker-dealers.

### **3. Directed Brokerage**

Versant does not generally accept directed brokerage arrangements (when a client requires that account transactions be affected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Versant will not seek better execution services or prices from other broker-dealers or be able to "batch" the clients' transactions for execution through other broker-dealers with order for other accounts managed by Versant. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

**Please Note:** In the event that the client directs Versant to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Versant.

### **Online Portfolio Requirements**

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

Schwab Advisor Services™ (formerly called Schwab Institutional) is Schwab's business serving independent investment advisory firms like Versant. Through Schwab Advisor Services, Schwab provides Versant and its clients, both those enrolled in the OPP and clients not enrolled in the OPP, with access to its institutional brokerage services— trading, custody, reporting, and related services—many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help Versant manage or administer its clients' accounts, while others help it manage and grow its business. Schwab's support services described below are generally available on an unsolicited basis (Versant does not have to request them) and at no charge to Versant. The availability of Schwab's products and services to Versant is not based on Versant giving particular investment advice, such as buying particular securities for its clients. Here is a more detailed description of Schwab's support services:

Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which Versant might not otherwise have access or that would require a significantly higher minimum initial investment by Versant's clients. Schwab's services described in this paragraph generally benefit the client and the client's account.

Schwab also makes available to Versant other products and services that benefit Versant but may not directly benefit the client or its account. These products and services assist Versant in managing and administering Versant's clients' accounts. They include investment research, both Schwab's own and that of third parties. Versant may use this research to service all or some substantial number of Versant's clients' accounts, including accounts not maintained at Schwab in addition to investment research, Schwab also makes available software and other technology that:

- provide access to client account data (such as duplicate trade confirmations and account statements);
  - facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
  - provide pricing and other market data;
  - facilitate payment of Versant's fees from Versant's clients' accounts; and
  - assist with back-office functions, recordkeeping, and client reporting.
- 
- Schwab also offers other services intended to help Versant manage and further develop Versant's business enterprise. These services include:
    - educational conferences and events;
    - technology, compliance, legal, and business consulting;
    - publications and conferences on practice management and business succession; and
    - access to employee benefits providers, human capital consultants, and insurance providers.

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to Versant. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other

benefits such as occasional business entertainment of Versant's personnel.

The availability of services from Schwab benefits Versant because Versant does not have to produce or purchase them. Versant does not have to pay for these services, and they are not contingent upon Versant committing any specific amount of business to CS&Co. in trading commissions or assets in custody. With respect to the OPP, as described above under Item 4, Versant does not pay SPT fees for the Platform so long as it maintains \$100 Million in client assets in accounts at Schwab that are not enrolled in the OPP. In light of Versant's arrangements with Schwab, Versant may have an incentive to recommend that clients maintain their accounts with CS&Co. based on its interest in receiving Schwab's services that benefit its business rather than based on the client's interest in receiving the best value in custody services and the most favorable execution of transactions. This presents a conflict of interest. When making such a recommendation, however, Versant believes that its recommendation of Schwab as custodian and broker is in the best interests of its clients. It is primarily supported by the scope, quality, and price of Schwab's services and not Schwab's services that benefit only Versant. Versant's Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.

## **Section B - TRADING POLICY**

To the extent that Versant provides investment management services to its clients, the transactions for each client account generally will be affected independently, unless Versant decides to purchase or sell the same securities for several clients at approximately the same time. Versant does not generally aggregate (also known as "block trade"), but on occasion may do so. In such circumstances, Versant may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among Versant's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. Versant shall not receive any additional compensation or remuneration as a result of such aggregation.

## **Section C – SECURITIES LITIGATION CLAIMS FILING SERVICE**

Versant utilizes the services of Broadridge, a third-party service provider to provide class action litigation monitoring and securities claim filing. Broadridge collects applicable documentation, interprets the terms of settlement, files appropriate proof of claim forms on behalf of clients, monitors claims, interacts with administrators, and distributes claim awards directly to Versant clients enrolled in the service. Charges for the processing of class action claims shall be subject to a contingency fee assessed directly by Broadridge in the event a recovery is made. The contingency fee shall be 20% of the total reimbursement of Securities Class Actions settlements Broadridge collects for the client. Class action recoveries and proceeds, less the contingency fee, shall be paid directly by the third-party to the client. This service is provided to all clients who have engaged Versant to provide investment advisory, or investment advisory with financial planning services (including comprehensive wealth management services). Unless a client chooses to opt out of this service, they are automatically enrolled, and Versant provides transaction information to Broadridge to assist with the class action suit research. If a client prefers to file their own securities litigation claim forms, they must opt out by providing written notice to Versant. If clients do not participate in this service, they are responsible for pursuing their own claims.

## Item 13 – Review of Accounts

### Section A - PERIODIC REVIEWS

Versant's Chief Investment Officer reviews all funds and investment managers recommended by Versant and utilized in client portfolios on a regular basis to determine if investments are being managed in accordance with guidelines and whether fees and/or commissions are reasonable.

For those clients to whom Versant provides investment supervisory services, account reviews are conducted on an ongoing basis by Versant's Investment Counselors and client service team members. All investment supervisory clients are advised that it remains their responsibility to advise Versant of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives, and account performance with his/her/its client service team on an annual basis.

### Section B - OTHER PERIODIC REVIEWS

Versant may conduct more frequent account reviews on an other-than-periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections, and client request.

### Section C - CLIENT REPORTS

Clients are provided, at least quarterly, with written transaction confirmation notices and summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts, which should be considered the client's official record for all pertinent account information.

Versant also provides a periodic report summarizing account activity and performance. Other customized reports are provided to clients on an ad hoc basis, upon request.

Versant's reports are provided in a different format than that of the custodian and may vary in content and scope. Therefore, the client is urged to compare any report provided by Versant with the account statements received from the account custodian.

## Item 14 – Client Referrals and Other Compensation

### A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients

As referenced in Item 12.A.1. above, Versant may receive an indirect economic benefit from Schwab. Versant, without cost (and/or at a discount), may receive support services and/or products from Schwab.

Versant's clients do not pay more for investment transactions effected and/or assets maintained at Schwab as a result of this arrangement. There is no corresponding commitment made by Versant to Schwab or any other entity to invest in any specific amount or percentage of client assets in any specific mutual funds, securities, or other investment products as a result of the above arrangement.

### B. Compensation for Client Referrals

Versant has terminated its Investment Advisory Solicitors Agreement with Evolve Cross Border Investments, LLC ("Evolve"). Pursuant to the agreement, such termination will only be effective as to future solicitations. **Solicitor shall remain entitled to receive referral fees for all prospects accepted as clients prior to said termination**, provided that the continued payment thereof is not otherwise prohibited by any applicable state, federal or self-regulatory securities commission or authority.

Any such referral fee shall be paid solely from Versant's investment advisory fee and shall not result in any additional charge to the client. Versant will not charge clients referred by Evolve any fees or



costs higher than its standard fee schedule offered to its other clients.

Evolve is independent of and unaffiliated with Versant and there is no employee relationship between Versant and Evolve. Evolve does not supervise Versant and has no responsibility for Versant's management of client portfolios or Versant's other advice or services.

### **Item 15 - Custody**

Versant is not a qualified custodian and does not provide custodial services to its clients. Clients may select registered broker-dealers or banks that are "qualified custodians" to provide custody services for client assets. However, under the SEC's Custody Rule, Versant is deemed to have custody due to the fact that (a) Versant shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis, and (b) in the exercise of its investment supervisory services, may have the ability to obtain (directly or indirectly) possession of client funds and/or securities pursuant to having been granted disbursement authorization and power of attorney to move money for purposes other than authorized trading (i.e., wires, journals to accounts of like-kind registration, etc.).

Versant provides quarterly reports summarizing account activity and performance, as well as other reports upon request. Clients are provided, at least quarterly, with written transaction confirmation notices and account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts, which should be considered the client's official record for all pertinent account information.

#### **Please Note:**

Versant's reports are provided in a different format from that of the custodian and may vary in content and scope. Therefore, the client is urged to compare any report provided by Versant with the account statements received from the account custodian. **Please also Note:** The account custodian does not verify the accuracy of Versant's advisory fee calculation.

**Custody Situations:** Versant engages in other practices and/or services on behalf of its clients that require disclosure at ADV Part 1, Item 9. Some of such practices and/or services are subject to an annual surprise CPA examination in accordance with the requirements of Rule 206(4)-2 under the Investment Advisers Act of 1940. In addition, certain clients have established asset transfer authorizations which permit the qualified custodian to rely upon instructions from Versant to transfer client funds or securities to third parties. These arrangements are also disclosed at ADV Part 1, Item 9, but in accordance with the guidance provided in the SEC's February 21, 2017, Investment Adviser Association No-Action Letter, the affected accounts **are not** subject to an annual surprise CPA examination.

### **Item 16 – Investment Discretion**

The client can determine to engage Versant to provide investment advisory services on a discretionary basis. Prior to Versant assuming discretionary authority over a client's account and investment assets, client shall be required to execute an Agreement between the parties (i.e., Investment Advisory Services Agreement and/or Comprehensive Investment Advisory Services with Financial Planning) appointing Versant as the client's attorney and agent in fact with full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name in the discretionary account(s).

Clients who engage Versant on a discretionary basis may, at any time, impose restrictions, **in writing**, on Versant's discretionary authority. The most common restrictions may include, but are not limited to, imposing limits on the types/amounts of particular securities purchased for an account, restricting ability to purchase securities with an inverse relationship to the market, limiting or



proscribing Versant's use of margin, etc.

See Item 4 for additional information about Versant's discretionary and non-discretionary services.

## **Item 17 – Voting Client Securities**

Versant has engaged Broadridge as its agent to provide services and support related to Versant's proxy voting policies, procedures, and processes. Unless the client directs otherwise in writing, Versant, through Broadridge, is responsible for voting client proxies (However, the client shall maintain exclusive responsibility for all legal proceedings or other type of events pertaining to the account assets, including but not limited to, class action lawsuits). Versant, through Broadridge, shall vote proxies in accordance with its Proxy Policy and Procedures that reflect the firm's duty as a fiduciary to vote proxies in the best interests of clients. For ERISA plan clients, certain proxies are voted solely in the best interest of plan participants and beneficiaries. Certain clients have expressly retained proxy voting authority, and, in such instances, Versant has no proxy voting responsibility and may not take any action regarding those clients' proxies. In the event of any conflicts of interests in the voting of any client proxies, Versant will make appropriate disclosures to clients and either request that the client vote the proxy(ies), abstain from voting, or vote the client proxies, depending on the circumstances.

Versant shall monitor corporate actions of individual issuers and investment companies consistent with Versant's fiduciary duty to vote proxies in the best interests of clients. The factors which Versant will consider when determining how it will vote may differ on a case-by-case basis, and may include, but are not limited to, a review of recommendations from issuer management, shareholder proposals, cost effects of such proposals, and effect on employees and executive and director compensation. With respect to individual issuers, Versant may be solicited to vote on matters including corporate governance, adoption or amendments to compensation plans (including stock options), and matters involving social issues and corporate responsibility. With respect to investment companies (e.g., mutual funds), Versant may be solicited to vote on matters including the approval of advisory contracts, distribution plans, and mergers.

Versant shall maintain records pertaining to proxy voting as required pursuant to Rule 204-2(c)(2) under the Advisers Act of 1940. Copies of Rules 206(4)-6 and 204(2)(c)(2) are available upon written request. A copy of Versant's Proxy Policy and Procedures, as well as information pertaining to how Versant voted on any specific proxy issue is also available upon written request.

With respect to the OPP, clients are required to submit an Issuer Communication and Release Information Form, or similarly named form, to be certain that they receive proxies and corporate actions directly from the issuer of securities.

## Item 18 – Financial Information

Versant is required in this Item to provide you with certain financial information or disclosures about the Firm's financial condition.

A. Versant does not require or solicit pre-payment of more than \$1,200 in fees, per client, six months or more in advance.

B. Versant is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.

C. Versant has not been the subject of a bankruptcy petition.

**Versant's Chief Compliance Officer, Elizabeth M. Shabaker, remains available to address any questions regarding this Part 2A.**