

# **Trellis Advisors, LLC**

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## **Firm Brochure**

(Part 2A of Form ADV)

### **Item 1: Cover Page**

This brochure provides information about the qualifications and business practices of Trellis Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at 509-925-6080. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Trellis Advisors, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

*Trellis Advisors, LLC is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training, and you should not choose an investment adviser solely on the basis of its status as a registered investment adviser. Please consider the information provided to you in oral and written communications to determine whether to hire or retain an investment adviser and to evaluate an investment adviser's qualifications and business practices.*

March 24, 2022

## **Item 2: Material Changes**

This Firm Brochure dated March 24, 2022 is our disclosure document prepared according to the SEC's requirements and rules. Consistent with the rules, this section is used to provide our clients with a summary of new and/or updated information that our clients may consider important.

Since filing our March 23, 2021 Annual Update Brochure, we have made no material changes.

We have made a few minor edits throughout the document to increase clarity or to more closely conform to the Brochure instructions. We encourage you to read this Brochure in its entirety and let us know if you have any questions.

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## Item 4: Advisory Business

### Firm Description

Trellis Advisors, LLC (Trellis, “we,” “our,” “us,” “the firm”) is an SEC-registered investment adviser with its principal place of business located in Ellensburg, Washington, and with an office located in Seattle, Washington. Trellis Advisors, LLC was founded in 2005 by M. Ray Gilmour who owns 100% of the company.

We provide clients with financial planning, investment and non-investment related consulting, and discretionary investment management services. Trellis is a fee-only firm that embraces the fiduciary standard of putting our clients’ interests first.

### Advisory Services

Clients generally engage us to provide initial and ongoing financial planning and discretionary investment management services on a fee-only basis.

We serve clients as follows:

**Analyze Current Situation** - Assist clients in reviewing current financial situation to identify unique needs, goals and constraints. As appropriate, we also review and discuss a client's prior investment history, as well as family composition and background.

**Develop Asset Allocation** - Help clients understand their risk tolerance, tax situation, time horizon, and cash flow needs. Assist clients in defining appropriate investment objectives and allocating investment assets among different asset classes and different investment styles to optimize the risk and return objectives.

**Formalize Investment Plan** - Prepare a written investment policy statement and asset allocation model that details the implementation of the investment strategy and guidelines consistent with the client's goals and risk tolerance.

**Implementation** - Assist clients in selecting specific investment vehicles and implementation of the investment plan. Trellis primarily implements investment recommendations with mutual funds, exchange-traded funds and other types of managed accounts (collectively, "Funds").

Trellis may utilize independent third-party money managers for part of the client’s portfolio implementation. Depending on a client's individual circumstances and needs, Trellis may determine that the client’s portfolio is suitable for one or more third-party money managers and assist the client in selecting the money manager. The third-party money manager will have discretionary authority over the portion of the client’s assets under their management, though Trellis will also retain discretionary authority to reallocate among managers or to terminate a particular third-party manager’s oversight. Clients will enter into a separate agreement with the third-party manager describing the terms of the arrangement and the specific fees to be charged. See Item 5 for additional information on fees charged by these managers.

**Monitoring & Supervision** - Provide ongoing advice regarding the selection of investments and changes to the asset allocation, as appropriate. Periodic reports will be provided to clients, as well as monthly statements from the custodian, Charles Schwab & Co., Inc. (see Brokerage Practices section). Provide ongoing review, analysis, and monitoring of investments including performance and costs.

**Personal Financial Consulting** - In addition to the services above, Trellis provides personal financial consulting to clients upon request. Financial consulting services generally include an analysis of a client's net worth, cash flow projections, retirement planning, education savings, and limited estate planning, as well as providing other advice as requested by clients, such as advice about real estate and insurance.

Some clients are provided a written plan that includes a personal balance sheet and certain projections. All reports, financial statement projections, and analyses are intended exclusively for client use in developing and implementing their financial plan. In view of this limited purpose, the statements should not be considered complete financial statements. Accordingly, clients should understand that such statements cannot be used to obtain credit or for any purpose other than developing their personal financial plan. Trellis will not audit (examine), review or compile such statements and, accordingly Trellis will not express an opinion or other form of assurance on them, including the reasonableness of assumptions and other data on which any prospective financial statements are based. It is likely that there will be differences between projected and actual results because events and circumstances frequently do not occur as expected and such differences may be material.

Trellis' analyses will be highly dependent on certain economic assumptions that clients must make about the future. Therefore, another important step in the process is establishing the client's familiarity with historical data regarding key assumptions such as inflation and investment rates of return as well as an understanding of how significantly these assumptions affect the results of the analyses. Trellis may counsel clients as to the consistency of the client's assumptions with relevant historical data, but Trellis will not express any assurance as to the accuracy or reasonableness of their specific data and assumptions. Clients are ultimately responsible for the assumptions and personal data upon which Trellis' procedures and projections are based.

In performing our services, we are not required to verify any information received from the client or from the client's other professionals and we are expressly authorized to rely on the information provided. Clients are advised that it remains their responsibility to promptly notify us if there is ever any change in their financial situation or investment objectives for the purpose of reviewing/evaluating/revising Trellis' previous recommendations and/or services.

Our independent, objective investment advice is not limited to any specific product or service. Our services are tailored to the individual needs of clients through the analysis and implementation methods described above. Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

## Important Information for Retirement Investors

When we recommend that you rollover retirement assets or transfer existing retirement assets (such as a 401(k) or an IRA) to our management, we have a conflict of interest. This is because we will generally earn additional revenue when we manage more assets. In making the recommendation, however, we do so only after determining that the recommendation is in your best interest. Further, in making any recommendation to transfer or rollover retirement assets, we do so as a “fiduciary,” as that term is defined in ERISA or the Internal Revenue Code, or both. We also acknowledge we are a fiduciary under ERISA or the Internal Revenue Code with respect to our ongoing investment advisory recommendations and discretionary asset management services, as described in the advisory agreement we execute with you. To the extent we provide non-fiduciary services to you, those will be described in the advisory agreement.

### **Amount of Managed Assets**

As of December 31, 2021, Trellis managed approximately \$458.3 million of clients' assets on a discretionary basis, and approximately \$3.7 million of clients' assets on a non-discretionary basis.

## Item 5: Fees and Compensation

### **Description**

Our fees for our services are based upon a percentage of assets under management.

Our standard fee schedule is as follows:

<u>Assets Under Management</u>		<u>Annual Rate*</u>	<u>Quarterly Rate</u>
First	\$1,000,000	1.25%	.3125%
Additional Assets from	\$1,000,001 to \$5,000,000	.75%	.1875%
Additional Assets from	\$5,000,001 to \$10,000,000	.50%	.125%
Additional Assets from	\$10,000,001 and up	Negotiable	

*\*All fees are calculated on a graduated basis. For example, assets of \$2,000,000 would pay on an annualized basis 1.25% of the first \$1,000,000 and .75% of the second \$1,000,000.*

We charge a minimum annual fee of \$12,500, which may be reduced at our sole discretion. We may modify these fees upon 60 days written notice to a client.

Although we have established this standard fee schedule, we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs will be considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, account composition, and reports, among other factors. We may, for example, arrange for a stated fixed fee where we are not managing assets but are providing ongoing advice. We may also group certain related client accounts for the purposes of determining the annualized fee.

## **Timing and Payment of Fees**

Fees are payable quarterly in advance on the day immediately following the end of the previous quarter. Fees are based upon the net asset value of a client's portfolio as of the last day of the previous quarter. For this purpose, the client's portfolio consists of all accounts Trellis has established for the client and may include outside retirement plan accounts (i.e., company retirement accounts). Trellis may agree to waive its fees on certain accounts that it establishes for clients that are not managed by Trellis (Courtesy accounts).

Initial accounts opened mid-quarter are charged a prorated quarterly fee based on the number of days remaining in the quarter. Fees on initial accounts are payable at the time assets are transferred into the account (or on an earlier agreed upon date). Fees for subsequent interim investments or withdrawals are prorated from the date of occurrence to the end of the current quarter and are due and payable or creditable on the first day of the following quarter.

Fees are deducted directly from clients' accounts or, if necessary, clients pay fees by check upon presentation of our invoice.

## **Termination of Agreement**

The investment management agreement may be terminated by either party upon 30 days written notice. Upon termination of the agreement, any unearned fees will be promptly refunded. If the investment management agreement is terminated during a quarter, Trellis will refund a prorated amount of the quarterly fee based upon the number of days remaining in the quarter.

## **Other Fees**

All fees paid to Trellis for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds, ETFs and/or third-party money managers.

- Mutual fund and ETF fees and expenses are set forth in the applicable prospectuses.
- Third-party money managers provide investment management services for an additional fee. These fees vary based on such factors as the manager selected, underlying investment strategy and size of the account. Fees paid to Trellis for investment advisory services are separate and distinct from the fees charged by the independent money manager. If a third-party money manager is used for the client's portfolio, a separate contract and disclosure will be provided to the client.

Also, broker-dealers such as Schwab charge brokerage commissions/transaction fees for executing certain securities transactions (e.g., commissions/transaction fees are charged for certain no-load mutual funds and fixed income securities transactions). Depending on the account size and activity level, Trellis may advise clients to pay asset-based fees to Schwab in lieu of trade-by-trade commissions/transaction fees as a more cost-effective way to pay for certain securities transactions. In 2020, Schwab began imposing a minimum monthly fee for funds held in an asset-based pricing account, causing an increase in fees for a number of

clients. We continue to analyze overall costs, including any minimum, and recommend the most cost-effective structure to clients, whether asset-based or transaction-based.

When selecting mutual funds, Trellis uses only “no-load” funds (i.e., mutual funds with no built-in sales charges paid to broker-dealers). The firm does not earn any transaction-based compensation and receives no compensation (such as 12b-1 fees) from fund companies or other third parties.

Please see Item 12: Brokerage Practices, for additional information and disclosure related to other costs that may apply to custodial accounts.

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

Trellis does not charge performance-based fees.

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

We provide advisory services to the following types of clients:

- Individuals and families
- Trusts and Estates
- Pension and profit sharing plans
- Charitable organizations
- Corporations, Partnerships, LLCs and other business entities

We typically require a minimum of \$1 million of assets under management or a minimum annual fee of \$12,500, which may be reduced at our sole discretion.

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

### **Methods of Analysis**

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

**Asset Allocation.** *We believe asset allocation is a key component of investment portfolio design.* Rather than focusing primarily on securities selection, we help clients to identify an appropriate ratio of securities (stocks), fixed income (bonds), and cash suitable to the client’s investment goals and risk tolerance. While recognizing that no investment approach guarantees specific results, we believe that the appropriate allocation of assets across diverse investment asset classes is the primary determinant of consistent portfolio returns.

**Fundamental Analysis.** We employ fundamental analysis. The main sources of information include Morningstar reports, fund prospectuses, Fiduciary Analytics, financial newspapers and magazines, research materials prepared by others, filings with the Securities and Exchange Commission, and annual reports. Employees of Trellis also participate in conference calls and industry conferences.

***Mutual Fund and/or ETF Analysis.*** We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

***Third-Party Money Manager Analysis.*** We review the experience, expertise, investment philosophies, and past performance of independent third-party investment managers in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We monitor the manager's underlying holdings, strategies and performance as part of our overall periodic risk assessment. We also monitor that they are invested consistent with the investment guidelines and policy statement. Additionally, as part of our due-diligence process, we survey the manager's compliance and business enterprise risks.

A risk of investing with a third-party manager who has been successful in the past is that he/she may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a third-party manager's portfolio, there is also a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. Moreover, we do not control the manager's daily business and compliance operations and we may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

***Risks for all forms of analysis.*** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

### **Investment Strategies**

The primary investment strategy we use for client accounts is core/satellite asset allocation. We use passively-managed index and exchange-traded funds and actively-managed funds. Portfolios are generally globally diversified to control the risk associated with traditional markets. We may also at times recommend unrelated, third-party investment managers who have a greater expertise in certain disciplines when appropriate for the client.

The investment strategy for a specific client is based upon the objectives, risk tolerance, time horizon, income needs, and tax situation stated by the client during consultations. The client may change these objectives at any time. The client's goals and objectives are recorded during meetings and via correspondence with the client. Each client portfolio is constructed solely for that client. We do not use model portfolios, and we do not utilize composites to illustrate results.

### **Risk of Loss**

All investments have certain risks that are borne by the investor. Our investment approach

keeps the risk of loss in mind. However, as with all investments, clients face investment risks including the following: Loss of Principal Risk, Interest-rate Risk, Market Risk, Inflation Risk, Currency Risk, Reinvestment Risk, Business Risk, Liquidity Risk, and Financial Risk.

## **Item 9: Disciplinary Information**

Neither Trellis nor any of its management persons has any legal or disciplinary events to disclose.

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

Trellis and our employees are not engaged in other financial industry activities and have no other industry affiliations.

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

Trellis has adopted a Code of Ethics expressing the firm's commitment to ethical conduct. Trellis' Code of Ethics describes the firm's fiduciary duties and responsibilities to clients, and sets forth Trellis' practice of supervising the personal securities transactions of supervised persons with access to client information. Individuals associated with Trellis may buy or sell securities for their personal accounts identical to or different than those recommended to clients. It is the expressed policy of Trellis that no person employed by Trellis shall prefer his or her own interest to that of an advisory client or make personal investment decisions based on the investment decisions of advisory clients.

To ensure that our firm and its employees comply with our Code of Ethics, we routinely review employee trading and holdings, and we provide regular training concerning our responsibilities to clients as a fiduciary and our specific obligations under the Code of Ethics.

Trellis requires that all individuals act in accordance with all applicable Federal and State regulations governing registered investment advisory practices. Trellis' Code of Ethics further includes the firm's policy prohibiting the use of material non-public information.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by calling us at 509-925-6080.

## **Item 12: Brokerage Practices**

### **Recommended Broker/Custodian**

Trellis does not maintain custody of the assets we manage, though we may be deemed to have custody if the client gives us authority to withdraw assets from their account under certain circumstances (see Item 15, below). Client assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. Trellis currently recommends the custodial and brokerage services of Charles Schwab & Co., Inc., ("Schwab") a registered broker-dealer and member SIPC. We are independently owned and operated and are not affiliated with Schwab. While we recommend Schwab as custodian/broker, clients will decide

whether to do so and will open accounts with Schwab by entering into an account agreement directly with them. We do not open accounts for clients, though we may assist in doing so.

### **How We Select Brokers/Custodians**

We seek to recommend a custodian/broker that will hold client assets and execute transactions on terms that are, overall, most advantageous when compared with other available providers and their services. We consider a wide range of factors, including:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for the account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, ETFs, etc.)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate prices
- Reputation, financial strength, security and stability
- Dedicated service team
- Prior service to us and our clients
- Availability of other products and services that benefit us, as discussed below

We have determined that having Schwab execute most trades is consistent with our duty to seek “best execution” of client trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above.

### ***Brokerage and Custody Costs***

Schwab generally does not charge clients separately for custody services but is compensated by charging commissions or other fees on trades that it executes or that settle into clients’ Schwab accounts. Schwab is also compensated by earning interest on the uninvested cash in Schwab’s Cash Features Program or on any margin balance maintained in Schwab accounts.

Trades of stocks and ETFs no longer incur commissions or transaction fees, commissions and transaction fees are only incurred on trades of certain mutual funds. Schwab discloses its fees and costs to clients and we take those costs into account when executing transactions on our clients’ behalf. Schwab charges a flat dollar amount as “prime broker” or “trade away” fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds form the securities sold are deposited (settled) into the clients Schwab account. These fees are in addition to the commissions or other compensation paid to the executing broker-dealer. Because of this, in order to minimize trading costs, we have Schwab execute most trades for client accounts.

Certain mutual funds and ETFs are made available for no transaction fee; as a result the confirmation may show “no commission” for a particular transaction. Typically the custodian

(but not Trellis) earns additional remuneration from such services as recordkeeping, administration, and platform fees, for the funds and ETFs on their no-transaction fee lists. This additional revenue to the custodian will tend to increase the internal expenses of the fund or ETF. Trellis selects investments based on our assessment of a number of factors, including liquidity, asset exposure, reasonable fees, effective management, and low execution cost. Where we choose a no-transaction fee fund or ETF, it is because it has met our criteria in all applicable categories.

In certain circumstances, Schwab will receive asset-based compensation in lieu of trade commissions for an account, subject to a separate agreement signed by the client for that account. This includes clients using third party managers whose trading frequency makes the normal transaction-based commission charges unduly expensive. Trellis reviews the cost structure for clients and recommends pricing that is likely to result in the lowest overall cost.

### ***Products and Services Available to Trellis from Schwab***

Schwab Advisor Services<sup>TM</sup> is Schwab's business serving independent investment advisory firms like us. They provide Trellis and our clients with access to their institutional broker services (trading, custody, reporting, and related services), some of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts, while others help us manage and grow our business. Schwab's support services are generally available without our requesting them and at no charge to Trellis. Following is a more detailed description of these services:

#### ***Services that Benefit Clients***

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 we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. These services general benefit clients and client accounts.

#### ***Services that May Not Directly Benefit Clients***

Schwab also makes available to us other products and services that benefit us but may not directly benefit clients or client accounts. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or a substantial number of our clients' accounts, including if we had 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 our fees from our clients' accounts

- Assist with back-office functions, recordkeeping, and client reporting

### ***Services that Generally Benefit Only Trellis***

Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers
- Marketing consulting and support
- Occasional business entertainment of our personnel

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. 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. We make limited use of the services in this section. We are most likely to use compliance and technology consulting and to attend conferences and other educational events, some of which include business entertainment.

### ***Trellis' Interest in Schwab's Services***

The availability of these services from Schwab benefits us because we do not have to produce or purchase them, and we don't have to pay Schwab for them. This creates an incentive for us to recommend that clients maintain their accounts with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based on clients' interest in receiving the best value in custody services and the most favorable execution of their transactions. While this incentive creates a conflict of interest, we believe that our selection of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services (see "How We Select Brokers/Custodians") and not Schwab's services that benefit only us.

### **Research and Other Soft Dollar Benefits**

We do not have any traditional "soft dollar" arrangements in place, in which we agree to direct a certain amount of commission dollars to a specific custodian in exchange for research or other services. Rather, the services described in this Item 12 are made available to us simply because we maintain client accounts on the Schwab platform.

Many of these services generally may be used to service all or a substantial number of Trellis' accounts, including accounts not maintained at Schwab Advisor Services.

The availability to Trellis of the foregoing products and services is not contingent upon Trellis committing to Schwab Advisor Services any specific amount of business (assets in custody or trading commissions). In some cases, clients could pay more for custody and execution through the custodian we recommend than through others. We review the capacities and

costs of Schwab regularly to ensure that our clients are receiving quality executions and competitive pricing, as well as more intangible service benefits.

### **Directed Brokerage**

Because we recommend Schwab and then execute transactions through that custodian on a discretionary basis, we are effectively requiring that clients “direct” brokerage to Schwab, absent other specific instructions as discussed below. Because we are not choosing brokers on a trade-by-trade basis, we may not be able to achieve the most favorable executions for clients and this may ultimately cost clients more money. Not all investment advisers require directed brokerage.

We do not use, recommend, or direct activity to brokers (including Schwab) in exchange for client referrals.

Trellis does not generally permit clients to direct us to use brokers other than the custodian. If we agree to accommodate a request to do this, we will likely have little or no ability to negotiate commissions or influence execution price, and the client will also not benefit from the savings afforded by the occasional trade aggregation we may implement for other clients. This may result in greater costs.

### **Aggregation of Trades**

Trellis does not generally aggregate client trades. Transactions for each client account generally will be effected independently, unless we decide to purchase or sell the same securities for several clients at approximately the same time. As a result, 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 routinely aggregate client trades.

Trellis may (but is not obligated to) aggregate client trades to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among Trellis’ 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. Trellis will not receive any additional compensation or remuneration as a result of such aggregation.

### **Third Party Managers**

As described in Item 4, above, in some cases we may select third-party managers to advise on a portion of client assets, equity or fixed income. These managers will generally place all transactions through the client’s account at Schwab, subject to the managers’ obligation to seek best execution. Because Schwab charges fees for transactions placed with outside brokers (see **Brokerage and Custody Costs**, above), outside equity managers will typically select Schwab as the broker who provides the best execution on a specific transaction after weighing possible price improvement versus the trade-away fee. However, managers may choose to trade away from Schwab when they believe (in their sole determination) that doing

so is in the client's best interest. As a result, in addition to any trade-away fee charged by Schwab, client may pay an additional fee to the broker/dealer used for execution.

Also, when beneficial to the client, individual fixed income transactions may be effected through broker-dealers with whom the third-party manager has entered into arrangements for prime brokerage clearing services. In these cases, clients may also incur "trade-away" fees.

## **Item 13: Review of Accounts**

### **Reviews**

Specific account reviews are conducted quarterly by M. Ray Gilmour, Client Advisor/Managing Member, Kelly Sweet, Client Advisor, and Trevor Seamons, Client Advisor. All clients are advised that it remains their responsibility to advise us of any changes in their investment objectives and/or financial situation. All clients are encouraged to review financial planning issues, investment objectives and account performance with Trellis on an annual basis, whether in person or by telephone.

### **Review Triggers**

More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, changes in market conditions, and political or economic environment. Also, a review may be triggered by client request, new information about an investment, changes in tax laws, or other important changes.

### **Reports**

Clients are provided with transaction confirmation notices and regular summary account statements directly from the custodian for the client accounts. Trellis provides written reports summarizing account activity, asset allocation, and performance no less than annually. Trellis encourages client meetings to review reports, and meetings are generally held at least semi-annually.

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

We have been fortunate to receive many client referrals over the years. The referrals have come from current clients, estate planning attorneys, accountants, employees, personal friends of employees, and other sources. Trellis does not pay for referrals.

We do not accept referral fees or any form of remuneration from other professionals when we refer a prospect or client to them.

## **Item 15: Custody**

All client funds and securities are maintained with a qualified custodian (Schwab); we don't take physical possession of client assets. Our clients will receive account statements and transaction confirmation notices directly from the custodian at least quarterly, which they should carefully review. We urge clients to carefully compare the custodian's account

statements with the periodic statements and reports they receive from us and to notify us promptly of any discrepancies.

Trellis has the ability to deduct our advisory fees directly from client accounts based on the client's written authorization to do so, and this ability is technically considered "custody" but doesn't require separate reporting or surprise audits. In addition, in some cases Trellis obtains standing letters of authorization ("SLOAs") from clients. These are written directives from the client authorizing us to initiate payments from their custodial accounts to specified third parties. This authority is considered "custody" under SEC guidance and requires us to report that we have custody over these account assets on our ADV 1A. To the extent the SLOAs comply with certain conditions, however, including that clients have the right to terminate the SLOA, and that the qualified custodian will confirm the status of the SLOA annually directly with the client, we are not subject to a surprise custody audit.

## **Item 16: Investment Discretion**

Clients enter into a Client Agreement for Investment Management Services with Trellis whereby the client authorizes us to manage investment accounts on a discretionary basis. We have authority to determine, in accordance with the Investment Policy Statement agreed to with the client, the following without contacting the client or obtaining specific client consent:

- The securities to buy or sell;
- The amount of the securities to buy or sell;
- The broker-dealer to use for client transactions and the commissions/transaction fees that will be charged for these transactions.

Any limitations on our discretionary authority will be included in the Investment Policy Statement. Clients may amend these limitations in writing. See Item 12, Brokerage Practices, for the practical implementation of our authority with respect to executing broker and commission rates.

The third-party money managers we recommend typically determine the buys and sells as well as the broker-dealers to be used to effect securities transactions for those securities under their management. We retain joint discretionary authority on these assets, but will generally limit our authority to reallocating assets from or to a given third-party manager.

## **Item 17: Voting Client Securities**

As a matter of firm policy, we do not vote proxies on behalf of clients. Although our firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for:

- directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and;
- making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other events pertaining to the client's investment assets.

Clients are responsible for instructing each custodian of the assets to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

We do not offer any consulting assistance regarding proxy issues to clients.

Notwithstanding the above, the third-party managers we use may have proxy voting authority for the portion of client assets they manage. The nature and extent of their authority will be disclosed in the third-party manager's disclosure brochure.

## **Item 18: Financial Information**

Registered investment advisers are required to provide certain financial information or disclosures about their financial condition. Trellis has no financial commitment that impairs our ability to meet contractual and fiduciary commitments to clients, and we have **NOT** been the subject of any bankruptcy proceeding.

Under no circumstances will we require prepayment of fees six months or more in advance of services rendered.

## **Privacy Notice**

Trellis Advisors, LLC (Trellis), is committed to safeguarding the confidential information of our clients. We hold all personal information provided to our firm in the strictest confidence. This Privacy Notice is to help you understand the information we collect, how we use and protect the information, and the limited circumstances in which we may disclose certain information to others.

### **Information We Collect**

During the ordinary course of our business, we may collect and maintain the following types of non-public personal information about you so that we can effectively provide our services to you:

- Information you provide us directly by correspondence, application, other forms, telephone, in meetings, or otherwise (including your name, address, social security number, telephone number, date of birth, assets, account information, and other financial information);
- Information we receive and/or generate about your transactions with our company and others as part of managing your accounts (such as investment and other account transactions, balances, and statements); and
- Information we may receive from third parties with respect to your accounts (such as information provided to us by your legal, accounting or other professional advisors).

### **Safeguarding of Your Personal Information**

We restrict access to your information to only those individuals, including employees, who have a business or professional purpose for knowing the information in order to conduct your business and provide services to you. We maintain physical, electronic, and procedural safeguards that comply with applicable laws to protect your non-public personal information.

### **Sharing of Information**

We will not disclose any personal information about our clients or former clients to any third-party without the client's prior direction or approval, except as described below. We also require that those with whom we share such information keep that information strictly confidential. Those instances where personal information may be shared on a limited basis include:

- Disclosures to companies that perform services on our behalf to assist us in providing our services to you (such as our technology consultants who assist us in maintaining our accounting and computer systems);
- Disclosures to companies necessary for us to manage and administer your account (such as providing account information to brokers and our custodians);
- Disclosures required by judicial or regulatory process, and under other circumstances permitted by law;

We will not sell any personal information about our clients or former clients to anyone. We maintain the personal information of former clients in the same manner as current clients.

If you have any questions about our privacy policies and procedures or other information about our company, please feel free to contact M. Ray Gilmour, Chief Compliance Officer, at 509-925-6080.