

## **CHADDS FORD WEALTH PARTNERS, LLC**

*a Registered Investment Adviser*

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This brochure provides information about the qualifications and business practices of Chadds Ford Wealth Partners, LLC (hereinafter “Chadds Ford” or the “Firm”). If you have any questions about the contents of this brochure, please contact the Firm at the telephone number listed above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. Additional information about the Firm is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The Firm is a registered investment adviser. Registration does not imply any level of skill or training.

## **Item 2. Material Changes**

In this Item, Chadds Ford is required to discuss any material changes that have been made to the brochure since the last annual amendment filed on February 25, 2021. There are no such material changes to disclose.

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## Item 4. Advisory Business

Chadds Ford is an employee-owned wealth management firm headquartered in Chadds Ford, PA. The Firm offers a variety of advisory services, which include financial planning, consulting, and investment management services to individuals, families, trusts and institutions. Prior to Chadds Ford rendering any of the foregoing advisory services, clients are required to enter into one or more written agreements with Chadds Ford setting forth the relevant terms and conditions of the advisory relationship (the “Advisory Agreement”).

Chadds Ford filed for registration as an investment adviser in May 2019 and is owned by W. Christopher Kreicker, CFA and Christopher R. Madel, CFA. As of December 31, 2021, Chadds Ford had \$1,106,172,715 in assets under management, \$46,994,586 of which was managed on a discretionary basis and \$1,059,178,129 was managed on a non-discretionary basis.

While this brochure generally describes the business of Chadds Ford, certain sections also discuss the activities of its Supervised Persons, which refer to the Firm’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees or other persons who provide investment advice on Chadds Ford’s behalf and are subject to the Firm’s supervision or control.

All of Chadds Ford’s wealth advisory services detailed below are available on an engagement basis. The Firm works with its clients to help them understand the level of engagement desired to meet their objectives.

### Financial Planning and Consulting Services

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Chadds Ford offers clients a broad range of financial planning and consulting services, which include cash flow planning for retirement and legacy gifting as well as other services that will be discussed with specific clients. The planning process works to determine the alignment of a client’s financial assets and their goals and objectives. This process is dynamic, will evolve over time and occasionally requires Chadds Ford to include disciplines outside of its area of expertise (e.g., establishing trusts, placing insurance). In those cases, the Firm will work with the client’s existing advisors or can recommend other professionals where appropriate.

For clients who are seeking investment advice but do not want ongoing investment management services, we are able to provide actionable recommendations to clients for them to implement with their existing or chosen providers. This could include advice around personal trusts, retirement plans or executive compensation including restricted stock, options grants or deferred compensation. This can also include reporting and advice around working with other current or potential service providers.

While these services are available on a stand-alone basis, certain of them can also be rendered in conjunction with investment portfolio management as part of a comprehensive wealth management engagement (described in more detail below).

In performing these services, Chadds Ford is not required to verify any information received from the client or from the client's other professionals (e.g., attorneys, accountants, etc.) and is expressly authorized to rely on such information. Chadds Ford recommends certain clients engage the Firm for additional related services and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists for the Firm to recommend that clients engage Chadds Ford or its affiliates to provide (or continue to provide) additional services for compensation, including investment management services. Clients retain absolute discretion over all decisions regarding implementation and are under no obligation to act upon any of the recommendations made by Chadds Ford under a financial planning or consulting engagement. Clients are advised that it remains their responsibility to promptly notify the Firm of any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising Chadds Ford's recommendations and/or services.

### **Wealth Management Services**

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Chadds Ford provides clients with wealth management services which include a broad range of financial planning and consulting services as well as discretionary and/or non-discretionary management of investment portfolios.

Chadds Ford primarily allocates client assets among various mutual funds, exchange-traded funds ("ETFs"), individual debt and equity securities, independent investment managers ("Independent Managers") and privately placed securities (including interests in pooled investment vehicles) in accordance with their stated investment objectives.

Where appropriate, the Firm also provides advice about any type of legacy position or other investment held in client portfolios, but clients should not assume that these assets are being continuously monitored or otherwise advised on by the Firm unless specifically agreed upon. Clients can engage Chadds Ford to manage and/or advise on certain investment products that are not maintained at their primary custodian, such as variable life insurance and annuity contracts and assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans). In these situations, Chadds Ford directs or recommends the allocation of client assets among the various investment options available with the product. These assets are generally maintained at the underwriting insurance company or the custodian designated by the product's provider.

Chadds Ford tailors its advisory services to meet the needs of its individual clients and seeks to ensure, on a continuous basis, that client portfolios are managed in a manner consistent with those needs and objectives. Chadds Ford consults with clients on an initial and ongoing basis to assess their specific risk

tolerance, time horizon, liquidity constraints and other related factors relevant to the management of their portfolios. Clients are advised to promptly notify Chadds Ford if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients can impose reasonable restrictions or mandates on the management of their accounts if Chadds Ford determines, in its sole discretion, the conditions would not materially impact the management of the strategy or prove overly burdensome to the Firm's management efforts.

### **Use of Independent Managers**

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As mentioned above, Chadds Ford selects certain Independent Managers to actively manage a portion of its certain clients' assets. The specific terms and conditions under which a client engages an Independent Manager may be set forth in a separate written agreement with the designated Independent Manager. In addition to this brochure, clients may also receive the written disclosure documents of the respective Independent Managers engaged to manage their assets.

Chadds Ford evaluates a variety of information about Independent Managers, which includes the Independent Managers' public disclosure documents, materials supplied by the Independent Managers themselves and other third-party analyses it believes are reputable. To the extent possible, the Firm seeks to assess the Independent Managers' investment strategies, past performance and risk results in relation to its clients' individual portfolio allocations and risk exposure. Chadds Ford also takes into consideration each Independent Manager's management style, returns, reputation, financial strength, reporting, pricing and research capabilities, among other factors.

Chadds Ford continues to provide services relative to the discretionary or non-discretionary selection of the Independent Managers. On an ongoing basis, the Firm monitors the performance of those accounts being managed by Independent Managers. Chadds Ford seeks to ensure the Independent Managers' strategies and target allocations remain aligned with its clients' investment objectives and overall best interests.

## **Item 5. Fees and Compensation**

Chadds Ford offers services on a fee basis, which includes fixed and/or hourly fees, as well as fees based upon assets under management.

### **Financial Planning and Consulting Fees**

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Chadds Ford charges a fixed and/or hourly fee for providing financial planning and consulting services under a stand-alone engagement. These fees are negotiable, but range from \$2,500 to \$25,000 on a fixed fee basis and/or from \$250 to \$500 on an hourly basis, depending upon the scope and complexity of the

services and the professional rendering the financial planning and/or the consulting services. If the client engages the Firm for additional investment advisory services, Chadds Ford may offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

The terms and conditions of the financial planning and/or consulting engagement are set forth in the Advisory Agreement and Chadds Ford requires one-half of the fee (estimated hourly or fixed) payable upon execution of the Advisory Agreement. The outstanding balance is due upon delivery of the financial plan or completion of the agreed upon services. The Firm does not, however, take receipt of \$1,200 or more in prepaid fees in excess of six months in advance of services rendered.

### Wealth Management Fees

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Chadds Ford offers investment management services for an annual fee based on the amount of assets under the Firm's management. This management fee varies in accordance with the following blended fee schedule:

<b><u>PORTFOLIO VALUE</u></b>	<b><u>BASE FEE</u></b>
First \$5,000,000	0.75%
Next \$5,000,000	0.45%
Next \$10,000,000	0.20%
Above \$20,000,000	Negotiable

The annual fee is prorated and charged monthly or quarterly, in arrears, based upon the market value of the assets being managed by Chadds Ford on the last day of the previous billing period (month or quarter). For the initial period of an engagement, the fee is calculated on a pro rata basis. In the event the advisory agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination and the outstanding or unearned portion of the fee is charged or refunded to the client, as appropriate.

The Firm includes cash in a clients account in determining the valuation for billing purposes. The Firm may, in its sole discretion, not include cash in determining the fee, especially where a client has a high percentage of cash for reasons other than the Firm's investment management decision. In lieu of the asset-based fee, the Firm may negotiate a fixed fee based upon the anticipated assets under management and services to be provided. Also, in circumstances where the Firm anticipates substantial financial planning and consulting services, but limited assets under management so that the asset-based fee would not be adequate, the Firm will charge a fixed fee for the financial planning and consulting services as agreed to with the client.

Additionally, for asset management services the Firm provides with respect to certain client holdings (e.g., held-away assets, accommodation accounts, alternative investments, etc.), Chadds Ford may negotiate a

fee rate that differs from the range set forth above. Clients are advised that a conflict of interest exists for the Firm to recommend that clients engage Chadds Ford for additional services for compensation, including rolling over retirement accounts or moving other assets to the Firm's management. Clients retain absolute discretion over all decisions regarding engaging the Firm and are under no obligation to act upon any of the recommendations.

### **Fee Discretion**

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Chadds Ford may, in its sole discretion, negotiate to charge a lesser fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing/legacy client relationship, account retention and pro bono activities.

Recognizing the meaningful contribution non-profit organizations make to the greater community, Chadds Ford is pleased to offer a 20% discount to the above fee schedule for not-for-profit clients.

### **Additional Fees and Expenses**

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In addition to the advisory fees paid to Chadds Ford, clients also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions (collectively "Financial Institutions"). These additional charges can include securities brokerage commissions, transaction fees, custodial fees, fees attributable to alternative assets, fees charged by the Independent Managers, margin costs, charges imposed directly by a mutual fund or ETF in a client's account, as disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. The Firm's brokerage practices are described at length in Item 12, below. To be clear, neither the Firm nor any of its Supervised Persons receive any compensation from these fees or expenses. Clients will have access to descriptions of these fees and expenses from the parties that are charging them.

### **Direct Fee Debit**

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Clients provide Chadds Ford and/or certain Independent Managers with the authority to directly debit their accounts for payment of the investment advisory fees. The Financial Institutions that act as the qualified custodian for client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to Chadds Ford. Alternatively, clients may elect to have Chadds Ford send a separate invoice for direct payment.



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**Use of Margin**

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Chadds Ford can recommend that certain clients utilize margin in the client's investment portfolio or other borrowing. Chadds Ford only recommends such borrowing for non-investment needs, such as bridge loans and other financing needs. The Firm's fees are determined based upon the value of the assets being managed gross of any margin or borrowing.

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**Account Additions and Withdrawals**

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Clients can make additions to and withdrawals from their account at any time, subject to Chadds Ford's right to terminate an account. Additions can be in cash or securities provided that the Firm reserves the right to liquidate any transferred securities or declines to accept particular securities into a client's account. Clients can withdraw account assets on notice to Chadds Ford, subject to the usual and customary securities settlement procedures. However, the Firm designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. Chadds Ford may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, short-term redemption fees, fees assessed at the mutual fund level (e.g., contingent deferred sales charges) and/or tax ramifications.

**Item 6. Performance-Based Fees and Side-by-Side Management**

Chadds Ford does not provide any services for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets).

**Item 7. Types of Clients**

Chadds Ford provides wealth management and investment advisory services to high net worth individuals and families; trusts and estates; foundations, endowments, and other non-profit organizations; and operating businesses.

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**Minimum Account Value**

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As a condition for starting and maintaining an investment management relationship, Chadds Ford imposes a minimum portfolio value of \$1,000,000. Chadds Ford may, in its sole discretion, accept clients with smaller portfolios based upon certain criteria, including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-

existing client, account retention, and pro bono activities. Chadds Ford may aggregate the portfolios of family members to meet the minimum portfolio size.

#### **Minimum Account Fee**

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As a condition for starting and maintaining an investment management relationship, Chadds Ford imposes a minimum annual fee of \$5,000. In addition, should the Firm agree to manage a portfolio of less than the \$1,000,000 referenced above, the fee will be 1.00% and subject to the \$5,000 minimum. This minimum fee will cause clients with smaller portfolios to incur an effective fee rate that is higher than the Firm's stated fee schedule. Chadds Ford may, in its sole discretion, elect to waive its minimum fee based upon certain criteria, including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and pro bono activities.

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

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

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Chadds Ford is dedicated to providing objective advice to help clients succeed in accumulating, distributing and transferring wealth. Chadds Ford works with clients to understand their goals and objectives and to define success in their terms.

Chadds Ford recognizes that each client is unique, having different goals and objects, timelines or preferences for how their wealth is managed. Some may have a higher tolerance for risk while others may have extremely specific tax situations. Because of these infinite variables, Chadds Ford believes no two portfolios should be exactly alike.

Chadds Ford believes that markets are generally efficient and that many clients pay too much for investment management services, especially when the costs to implement the strategy are considered. For each client, Chadds Ford develops a customized Investment Policy reflecting their goals and objectives as well as their ability and willingness to take risk. The Firm further seeks to understand the client's preferences regarding their portfolio exposures. This Investment Policy articulates targets and ranges for asset class exposures, namely, Equity, Alternatives, Fixed Income and Cash.

Within Equity, Chadds Ford considers strategic and tactical allocations among U.S. Large and Small Cap equities as well as International Developed and Emerging Markets. Within U.S. Equity and International Equity, the Firm generally starts with strategic allocations between Large versus Small Cap and Developed versus Emerging at market weights. Chadds Ford's strategic allocation between U.S. Equity and

International Equity is a function of the interplay between the diversification benefits of adding International exposure to a U.S. Equity portfolio and the recognition that our clients are typically U.S. based investors and U.S. dollar denominated consumers.

Tactical allocations among Equity asset classes are a function of the Firm's views on the economy, relative valuations and relative momentum. In addition to the Equity asset classes mentioned above, the Firm periodically makes tactical allocations to investment styles - for example, Growth versus Value or Smart Beta strategies. Chadds Ford will also make tactical allocations to equity sectors in the U.S. Large Cap space.

For investors who qualify and meet the minimums, Chadds Ford also considers allocations to Alternatives including private investments. Understanding these investments may be less liquid and more volatile than public markets, the Firm feels that properly selected opportunities in this space can enhance the risk/reward dynamics of an overall portfolio.

Chadds Ford makes strategic allocations to Fixed Income to help achieve the Investment Policy goals around risk/volatility and income. Within the Firm's Fixed Income allocation, it considers the client's tax situation or the tax status of the account to determine if taxable or tax-exempt bonds should be utilized. In either case, the Firm will periodically use high yield exposures tactically based on an analysis of spreads relative to the business cycle. For clients seeking income, Chadds Ford may create a strategic Investment Policy allocation to high yield bonds.

Chadds Ford makes strategic allocations to Cash for liquidity, income and risk management purposes. The Firm periodically makes tactical allocations to Cash based on the Firm's views of the economy, yields and markets.

### **Risk of Loss**

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Chadds Ford believes all investment strategies have risk even those that have limited risk of loss of principal. These risks could include purchasing power risk, volatility risk, longevity risk, sequence of return risk and reinvestment risk to name a few. The Firm works diligently to help clients understand the risks of their current investment program and designs a strategy that balances their personal risk tolerance with the market opportunities in pursuit of achieving their objectives. One critical way to manage risk is through a carefully and thoughtfully diversified portfolio.

The following list of risk factors does not purport to be a complete enumeration or explanation of the risks involved with respect to the Firm's investment management activities. Clients should consult with their legal, tax, and other advisors before engaging the Firm to provide investment management services on their behalf.

*Market Risks*

Investing involves risk, including the potential loss of principal, and all investors should be guided accordingly. The profitability of a significant portion of Chadds Ford's recommendations and/or investment decisions may depend to a great extent upon correctly assessing the future course of price movements of stocks, bonds and other asset classes. In addition, investments may be adversely affected by financial markets and economic conditions throughout the world. There can be no assurance that Chadds Ford will be able to predict these price movements accurately or capitalize on any such assumptions.

*Volatility Risks*

The prices and values of investments can be highly volatile, and are influenced by, among other things, interest rates, general economic conditions, the condition of the financial markets, the financial condition of the issuers of such assets, changing supply and demand relationships, and programs and policies of governments.

*Equity-Related Securities and Instruments*

The Firm may take long positions in common stocks of U.S. and non-U.S. issuers traded on national securities exchanges and over-the-counter markets. The value of equity securities varies in response to many factors. These factors include, without limitation, factors specific to an issuer and factors specific to the industry in which the issuer participates. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments, and the stock prices of such companies may suffer a decline in response. In addition, equity securities are subject to stock risk, which is the risk that stock prices historically rise and fall in periodic cycles. U.S. and non-U.S. stock markets have experienced periods of substantial price volatility in the past and may do so again in the future. In addition, investments in small-capitalization, mid-capitalization and financially distressed companies may be subject to more abrupt or erratic price movements and may lack sufficient market liquidity, and these issuers often face greater business risks.

*Fixed Income Securities*

Fixed income securities are subject to the risk of the issuer's or a guarantor's inability to meet principal and interest payments on its obligations and to price volatility.

*Mutual Funds and ETFs*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains,

as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to actual NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed based ETFs and potentially more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 20,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

#### *Use of Independent Managers*

As stated above, Chadds Ford selects Independent Managers to manage a portion of certain of its clients' assets. In these situations, Chadds Ford continues to conduct ongoing due diligence of such managers, but such recommendations rely to a great extent on the Independent Managers' ability to successfully implement their investment strategies. In addition, Chadds Ford does not have the ability to supervise the Independent Managers on a day-to-day basis.

#### *Use of Private Collective Investment Vehicles*

Chadds Ford recommends that certain clients invest in privately placed collective investment vehicles (e.g., hedge funds, private equity funds, etc.). The managers of these vehicles have broad discretion in selecting the investments. There are few limitations on the types of securities or other financial instruments which may be traded and no requirement to diversify. Hedge funds may trade on margin or otherwise leverage positions, thereby potentially increasing the risk to the vehicle. In addition, because the vehicles are not registered as investment companies, there is an absence of regulation. There are numerous other risks in

investing in these securities. Clients should consult each fund's private placement memorandum and/or other documents explaining such risks prior to investing.

#### *Currency Risks*

An advisory account that holds investments denominated in currencies other than the currency in which the advisory account is denominated may be adversely affected by the volatility of currency exchange rates.

#### *Interest Rate Risks*

Interest rates may fluctuate significantly, causing price volatility with respect to securities or instruments held by clients.

### **Item 9. Disciplinary Information**

Chadds Ford has not been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of its management.

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

This item requires investment advisers to disclose certain financial industry activities and affiliations. The Firm does not have any other financial industry activities or affiliations that need to be disclosed.

### **Item 11. Code of Ethics**

Chadds Ford has adopted a code of ethics in compliance with applicable securities laws ("Code of Ethics") that sets forth the standards of conduct expected of its Supervised Persons. Chadds Ford's Code of Ethics contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the Firm or any of its Supervised Persons and the trading by the same of securities ahead of clients in order to take advantage of pending orders.

The Code of Ethics also requires certain of Chadds Ford's personnel to report their personal securities holdings and transactions and obtain pre-approval of certain investments (e.g., initial public offerings, limited offerings). However, the Firm's Supervised Persons are permitted to buy or sell securities that it also recommends to clients if done in a fair and equitable manner that is consistent with the Firm's policies and procedures. This Code of Ethics has been established recognizing that some securities trade in

sufficiently broad markets to permit transactions by certain personnel to be completed without any appreciable impact on the markets of such securities. Therefore, under limited circumstances, exceptions may be made to the policies stated below.

When the Firm is engaging in or considering a transaction in any security on behalf of a client, no Supervised Person with access to this information may knowingly effect for themselves or for their immediate family (i.e., spouse, minor children and adults living in the same household) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the Supervised Person is completed as part of a batch trade with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by money market funds; and iv) shares issued by other unaffiliated open-end mutual funds.

Clients and prospective clients may contact Chadds Ford to request a copy of its Code of Ethics.

## **Item 12. Brokerage Practices**

### **Recommendation of Broker-Dealers for Client Transactions**

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Chadds Ford recommends that clients utilize the custody, brokerage and clearing services of Charles Schwab & Co, Inc. through its Schwab Advisor Services division ("Schwab") for investment management accounts. The final decision to custody assets with Schwab is at the discretion of the client, including those accounts under ERISA or IRA rules and regulations, in which case the client is acting as either the plan sponsor or IRA accountholder. Chadds Ford is independently owned and operated and not affiliated with Schwab. Schwab provides Chadds Ford with access to its institutional trading and custody services, which are typically not available to retail investors.

Factors which Chadds Ford considers in recommending Schwab or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. Schwab enables the Firm to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by Schwab may be higher or lower than those charged by other Financial Institutions.

The commissions paid by Chadds Ford's clients to Schwab comply with the Firm's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified Financial Institution might charge to effect the same transaction where Chadds Ford determines that the commissions are 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 Financial Institution's services, including among others, the value of services provided, execution capability, commission rates and responsiveness. Chadds Ford seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions. Chadds Ford periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to obtain best execution.

#### **Software and Support Provided by Financial Institutions**

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Chadds Ford receives from Schwab administrative support, computer software, related systems support, as well as other third party support as further described below (together "Support") which allow Chadds Ford to better monitor client accounts maintained at Schwab and otherwise conduct its business. Chadds Ford receives the Support because the Firm renders investment management services to clients that maintain assets at Schwab. The Support is not provided in connection with securities transactions of clients (i.e., not "soft dollars"). In fulfilling its duties to its clients, Chadds Ford puts the interests of its clients first and has determined that the recommendation of Schwab is in the best interest of clients and satisfies the Firm's duty to seek best execution.

These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a certain amount of the advisor's clients' assets are maintained in accounts at Schwab Advisor Services. Schwab's services include brokerage services that are related to the execution of securities transactions, custody, research, including that in the form of advice, analyses and reports, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions or other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab also makes available to the Firm other products and services that benefit the Firm but may not benefit its clients' accounts. These benefits may include national, regional or Firm specific educational events organized and/or sponsored by Schwab. Other potential benefits may include occasional business entertainment of personnel of Chadds Ford by Schwab personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Other of these products and services assist Chadds Ford in managing and administering clients' accounts. These include software and other technology (and related technological



training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of the Firm's fees from its clients' accounts, and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of the Firm's accounts, including accounts not maintained at Schwab. Schwab also makes available to Chadds Ford other services intended to help the Firm manage and further develop its business enterprise. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance and marketing. In addition, Schwab may make available, arrange and/or pay vendors for these types of services rendered to the Firm by independent third parties. Schwab may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to the Firm. While, as a fiduciary, Chadds Ford endeavors to act in its clients' best interests, the Firm's recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefits received and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which creates a potential conflict of interest.

### **Brokerage for Client Referrals**

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Chadds Ford does not consider, in selecting or recommending broker-dealers, whether the Firm receives client referrals from the Financial Institutions or other third party.

### **Directed Brokerage**

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The client may direct Chadds Ford in writing to use a particular Financial Institution to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that Financial Institution and the Firm will not seek better execution services or prices from other Financial Institutions or be able to "batch" client transactions for execution through other Financial Institutions with orders for other accounts managed by Chadds Ford (as described above). As a result, the client may pay higher commissions or other transaction costs, greater spreads or may receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, Chadds Ford may decline a client's request to direct brokerage if, in the Firm's sole discretion, such directed brokerage arrangements would result in additional operational challenges.

### **Trade Aggregation**

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Transactions for each client will be effected independently, unless Chadds Ford decides to purchase or sell the same securities for several clients at approximately the same time. Chadds Ford may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable

commission rates or to allocate equitably among the Firm's clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and allocated among Chadds Ford's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that the Firm determines to aggregate client orders for the purchase or sale of securities, including securities in which Chadds Ford's Supervised Persons may invest, the Firm does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. Chadds Ford does not receive any additional compensation or remuneration as a result of the aggregation.

In the event that the Firm determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, the Firm may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

## Item 13. Review of Accounts

### Account Reviews

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Chadds Ford monitors client portfolios on a continuous and ongoing basis while regular account reviews are conducted on at least an annual basis. Such reviews are conducted by one of the Firm's Principals. All investment advisory clients are encouraged to discuss their needs, goals and objectives with Chadds Ford and to keep the Firm informed of any changes thereto. The Firm contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and quarterly to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

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**Account Statements and Reports**

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Clients are provided with transaction confirmation notices and regular summary account statements directly from the Financial Institutions where their assets are custodied. From time-to-time or as otherwise requested, clients may also receive written or electronic reports from Chadds Ford and/or an outside service provider, which contain certain account and/or market-related information, such as an inventory of account holdings or account performance. Clients should compare the account statements they receive from their custodian with any documents or reports they receive from Chadds Ford or an outside service provider.

**Item 14. Client Referrals and Other Compensation**

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**Client Referrals**

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The Firm does not currently provide compensation to any third-party solicitors for client referrals.

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**Other Compensation**

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The Firm receives economic benefits from Schwab. The benefits, conflicts of interest and how they are addressed are discussed above in response to Item 12.

**Item 15. Custody**

Chadds Ford is deemed to have custody of certain client funds and securities because the Firm is given the ability to debit client accounts for payment of the Firm's fees. As such, client funds and securities are maintained at one or more Financial Institutions that serve as the qualified custodian with respect to such assets. Such qualified custodians will send account statements to clients at least once per calendar quarter that typically detail any transactions in such account for the relevant period. The Firm does not maintain physical custody.

In addition, as discussed in Item 13, Chadds Ford will also send, or otherwise make available, periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the Financial Institutions and compare them to those received from Chadds Ford. Any other custody disclosures can be found in the Firm's Form ADV Part 1.

**Item 16. Investment Discretion**

Chadds Ford is given the authority to exercise discretion on behalf of clients. Chadds Ford is considered to exercise investment discretion over a client's account if it can effect and/or direct transactions in client accounts without first seeking their consent. Chadds Ford is given this authority through a power-of-attorney included in the agreement between Chadds Ford and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). Chadds Ford takes discretion over the following activities. Discretion depends upon the specific client agreement.

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made; and
- The Independent Managers to be hired or fired.

**Item 17. Voting Client Securities**

Chadds Ford accepts the authority to vote a client's securities (i.e., proxies) on their behalf. When Chadds Ford accepts such responsibility, it will only cast proxy votes in a manner consistent with the best interest of its clients. Absent special circumstances, which are fully-described in the Firm's Proxy Voting Policies and Procedures, all proxies will be voted consistent with guidelines established and described in Chadds Ford's Proxy Voting Policies and Procedures, as they may be amended from time-to-time. Clients may contact Chadds Ford to request information about how the Firm voted proxies for that client's securities or to get a copy of Chadds Ford's Proxy Voting Policies and Procedures. A brief summary of Chadds Ford's Proxy Voting Policies and Procedures is as follows:

- Chadds Ford has formed a Proxy Voting Committee that will be responsible for monitoring corporate actions, making voting decisions in the best interest of clients, and ensuring that proxies are submitted in a timely manner.
- The Proxy Voting Committee will vote proxies according to Chadds Ford's then current Proxy Voting Guidelines. The Proxy Voting Guidelines include many specific examples of voting decisions for the types of proposals that are most frequently presented, including: composition of the board of directors; approval of independent auditors; management and director compensation; anti-takeover mechanisms and related issues; changes to capital structure; corporate and social policy issues; and issues involving mutual funds.

- Although the Proxy Voting Guidelines are followed as a general policy, certain issues are considered on a case-by-case basis based on the relevant facts and circumstances. Since corporate governance issues are diverse and continually evolving, the Firm devotes an appropriate amount of time and resources to monitor these changes.
- Clients cannot direct Chadds Ford's vote on a particular solicitation but can revoke the Firm's authority to vote proxies.

In situations where there is a conflict of interest in the voting of proxies due to business or personal relationships that Chadds Ford maintains with persons having an interest in the outcome of certain votes, the Firm takes appropriate steps to ensure that its proxy voting decisions are made in the best interest of its clients and are not the product of such conflict.

## **Item 18. Financial Information**

Chadds Ford is not required to disclose any financial information due to the following:

- The Firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered;
- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.