

## **Part 2A of Form ADV: *Firm Brochure***

### **Institutional Clients**

#### **Clearstead Advisors, LLC**

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**Updated as of 3/31/2023**

This brochure provides information about the qualifications and business practices of Clearstead Advisors, LLC ("Clearstead"). If you have any questions about the contents of this brochure, please contact Steven Wolken (Clearstead C.C.O.) at 216-621-1090 or [swolken@clearstead.com](mailto:swolken@clearstead.com). 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.

Clearstead is an investment adviser registered with the SEC. Registration as an investment adviser does not imply any established or set level or skill or training. The oral and written communications Clearstead provides, including this Brochure, are information to evaluate Clearstead and factor in a decision to hire Clearstead or continue to maintain a mutually beneficial relationship.

Additional information about Clearstead also is available on the SEC's website at (<https://adviserinfo.sec.gov/>). You can search this site by a unique identifying number, known as a CRD number. Clearstead's CRD number is 105674.

## ***Item 2      Material Changes***

This section describes the material changes to Clearstead's business.

Since the last annual amendment of Clearstead's Form ADV Part 2A on March 30, 2022, Clearstead has made the following material changes:

- Effective June 1, 2022 Clearstead made a minority equity interest in GLASfunds, LLC.
- Added language regarding the recommendation of insurance products to clients.
- Added language about ERISA Plan Services due to the new Department of Labor Fiduciary Rule
- Since filing as of 6/30/2022, the clients being advised under Clearstead's Plimsoll Mark Capital division were transferred to Clearstead Trust, a wholly-owned subsidiary of Clearstead Advisors, LLC and are no longer being included as client's of Clearstead Advisors.
- Effective 1/31/2023, Clearstead has promotor ("solicitor") arrangements with non-supervised persons for client referrals.
- Effective February 28, 2028 Clearstead acquired Avalon Trust, LLC ("Avalon Trust") as a wholly owned subsidiary of Clearstead Advisors, LLC. Please see Item 10 for additional information.
- Effective March 23, 2023 Clearstead acquired the clients of CLS Consulting, LLC, which provides trust administration services to high-net worth families and family offices.

Clearstead will ensure that clients receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of its business' fiscal year. Furthermore, Clearstead will provide clients with other interim disclosures about material changes as necessary.

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## **Item 4      Advisory Business**

Clearstead Advisors, LLC ("Clearstead"), is a SEC-registered investment adviser with its principal place of business located in Cleveland, Ohio. Clearstead has a wholly-owned subsidiary named Clearstead Trust, which is a Maine-chartered trust company that can provide trustee services to Clearstead clients. Clearstead also has a wholly-owned subsidiary named Avalon Trust, which is a New Mexico-chartered trust company that can provide trustee services to Clearstead clients.

Clearstead is an independent investment advisory firm founded as Hartland & Co in 1989. Clearstead is owned by Hartland Management Investors, LLC ("HMI"), which holds the shares of Clearstead's employees with approximately 40% ownership and Flexpoint Ford, LLC, through the entity Moses Buyer Holdings, LLC ("Flexpoint Ford") with approximately 60% ownership. Effective October 23rd, 2018, Hartland & Co., LLC changed its legal name to Clearstead Advisors, LLC ("Clearstead"). This was only a name change with no change in ownership or control. Clearstead does business under its new name; however, it is also able to conduct business under the name Hartland & Co., LLC ("Hartland"). Through the acquisition of CLS Consulting, LLC ("CLS"), Clearstead continues to maintain the website for CLS ([www.clsconsultingllc.com](http://www.clsconsultingllc.com)).

Clearstead is structured to put client's interests first. The firm makes every effort to remove or mitigate any conflicts of interest and is dedicated to serving client interests with the highest standards of fiduciary and professional conduct. Clearstead is independent and believes this is central to providing objective and high-quality advice to its clients. To back up its commitment to clients, the firm has adopted a Conflicts of Interest Policy and Standards of Conduct.

Clearstead has worked successfully for many years with diverse clients, providing advice on investment policy, asset allocation, manager selection and other related financial issues. Its advisors have deep professional and personal experience in institutional consulting, investment research and wealth management. We have a strong leadership team supported by an outstanding Board of Directors, all of whom are leaders in their fields.

Clearstead serves its institutional clients with the Investment Metrics reporting system to ensure timely and accurate information and provide robust portfolio analysis and peer group benchmarking for Clearstead clients. Clearstead believes that the disciplines it has developed for the institutional marketplace - portfolio analytics, manager research, aggregation of information and clear reporting - are applicable and valuable to families and individuals as well.

### **SERVICES PROVIDED**

This Part 2A of Form ADV describes services provided to Clearstead institutional clients. A separate Part 2A of Form ADV describes services provided to private clients.

Clearstead provides both traditional investment consulting services (non-discretionary) and discretionary services. Clearstead is capable of accepting fiduciary responsibility under Section 3(21) and as an investment manager under Section 3(38) of ERISA. The primary clients for these services will be institutions - pension, profit sharing and 401(k) plans, endowments, foundations and operating non-profits, such as healthcare organizations - as well as private clients; individuals, trusts and estates.

#### **Institutional Consulting (Traditional and OCIO Discretionary Services)**

Clearstead Institutional Consulting Group delivers fiduciary oversight and advice under the following process. First, Clearstead assists in the development, implementation and monitoring of Investment Policy Statements (IPS) for all clients. An IPS is a set of standards that prescribes how client assets will be invested, monitored, and measured. These standards begin with articulation of investment objectives and what a client expects to achieve with its assets. The investment policy also establishes guidelines for the way funds are to be invested in various asset classes and how performance will be measured and compared. In working with clients on investment policy, Clearstead

addresses time horizons, spending needs, ability to accept volatility, and client-specific or cultural considerations. Clearstead then prepares a written IPS detailing those needs and goals, including an encompassing plan under which these goals are to be achieved.

Second, Clearstead assists clients in identifying strategic asset allocation aligned with the institution's objectives. Portfolios are then constructed using the IPS and firm's criteria for selection of investment vehicles.

Third, Clearstead provides ongoing monitoring of client investments based on the procedures and timing intervals delineated in the Investment Policy Statement and Clearstead's internal processes. Clearstead is able to engage a client in two ways: 1) in a traditional consulting capacity in which Clearstead supervises the client's portfolio and seeks approval for recommendations in advance of implementing 2) under our PRISM OCIO discretionary service where Clearstead supervises client portfolios and is delegated discretionary authority for portfolio implementation.

Lastly, Clearstead creates clear and accurate periodic reports, including Monthly "Flash" Reports, Quarterly Performance Reports and Special Reports on topics relevant to the client.

For pension, profit sharing, and 401(k) plan clients with individual plan participants exercising control over assets in their own account ("self-directed plans"), Clearstead provides general educational guidance for plan administrators and in limited circumstances plan participants. The nature of the topics covered will be determined by Clearstead and the client under the guidelines established in ERISA Section 404(c). The educational support will NOT provide plan participants with individualized, tailored investment advice or individualized or tailored asset allocation recommendations.

Clearstead also acts as a "Qualified Professional Asset Manager" (QPAM) under the Employee Retirement Income Security Act of 1974 (ERISA), providing requested guidance to fiduciaries on specific transactions related to particular assets of employee benefit plan investors.

### **ERISA Plan Services**

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

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

### **Sub-Advisor Investment Management**

Clearstead offers discretionary sub-advisory investment management services to the individual clients of unaffiliated advisors. Under this service, the unaffiliated advisor will act as the primary advisor and fiduciary with the option to provide investment management services to its individual clients directly or engage with Clearstead as a sub-advisor to provide discretionary investment management and trade execution services. When Clearstead acts as a sub-advisor with discretionary investment services, Clearstead will use model strategies with different purposes and risk levels. The unaffiliated advisor will be responsible for reviewing the model strategies with their individual clients and selecting the model strategy that is most appropriate. If the unaffiliated advisor selects Clearstead for sub-advisor investment management services, the unaffiliated advisor will sign a Clearstead sub-advisor client management agreement for each of their clients to document the engagement, model strategy, and any reasonable restrictions. The model strategies can be allocated on an account-by-account basis or across multiple accounts.

Clearstead may also provide general economic information or due diligence for the investment managers that are used in its models, which can be used by the unaffiliated advisor with its clients.

The unaffiliated advisor is responsible for establishing its own custody relationship, whereas Clearstead will be an approved sub-advisor and have access to the unaffiliated advisor's client's accounts for trade execution purposes only. Furthermore, the unaffiliated advisor is responsible for negotiating all trading/transaction/custody fees that its clients will be responsible for paying while engaged with Clearstead for sub-advisor investment management services.

Clearstead also acts as a sub-advisor to advisors and their funds, whereas the primary advisor may delegate some or all of its services to Clearstead. The delegated services could include maintaining models (or series), discretionary investment services, investment manager sourcing, and ongoing investment manager due-diligence.

## **OTHER BUSINESS ACTIVITIES**

From time to time Clearstead may be retained on special projects. These may be searches for client service providers (i.e. custodians or 401(k) providers), fee benchmarking, or projects relating to client investment funds. In all cases, the only source of Clearstead's revenue is from client advisory fees.

### **Private Client Advisory Services**

As indicated above, Clearstead provides services to private clients (families, individuals, and estates) that may include all or some of the following services: investment management, financial consulting, tax planning and compliance, and family office administration.

Information on services provided to private clients is available through a separate Part 2A of Form ADV: Firm Brochure. Please contact Clearstead at 216-621-1090 if you would like a copy of that Form ADV brochure.

### **ClearAccess Platform**

ClearAccess is a platform created to simplify investing in illiquid alternatives by combining years of experience, access to high-quality managers, and a streamlined process to access private investments. Initial and future recommendations are covered by one set of subscription documents and ClearAccess also consolidates accounting for capital calls, distributions, statements, performance, and tax information. In addition to the benefits above, ClearAccess provides a platform with typically lower costs to clients compared to investing in other hedge or private equity fund of funds directly. Clearstead accomplishes this by working with a third-party investment manager and administrator (GLASfunds, LLC) whose fees are negotiated by Clearstead. GLASfunds, LLC is an investment advisor registered with the SEC. While Clearstead owns a minority equity stake in GLASfunds, Clients are under no obligation to invest in alternative investments through GLASfunds. Clearstead does not receive any compensation from the underlying alternative managers that it recommends through ClearAccess.

ClearAccess allows clients to invest in alternative managers on an a la carte basis, ClearAccess Balanced Hedge or ClearAccess Private Equity Series. ClearAccess Balanced Hedge is a select group of hedge fund managers and allocations chosen by Clearstead and designed to target an absolute return of cash plus 4-6% over a complete market cycle. ClearAccess Private Equity Series is a select group of private equity funds designed to diversify among stage, geography, size, and sector to generate competitive returns over a full market cycle.

### **Investment Research and Due-Diligence**

Clearstead has engaged with unaffiliated firms to provide investment research and due diligence on investment managers. Under this type of Service Agreement Clearstead provides proprietary research on mutually agreeable investment managers that Clearstead may or may not recommend to its own clients. Furthermore, clients are provided the opportunity to white label the research reports under their own name.

## Executive Financial Services

Clearstead offers comprehensive and tailored financial wealth services to organization's executive leadership. Our offering, which incorporates the rigor of our institutional investment consulting practice with the deep tax and planning resources of our private client advisory practice, is designed specifically around an organization's benefits, retirement plans, and incentives. We work with an organization to design a benefit for the executive leadership to provide financial resources and incentives for them to engage with Clearstead and benefit from the fully integrated tax, planning and investment capabilities of our Private Client Group.

## Trust Administration Services

Clearstead will work with high-net worth families and family offices to review estate planning documents and consider options for implementing a private family trust company. Clearstead will also provide ongoing trust administration services.

## Other

Clearstead does not provide brokerage or custodial services, nor is it affiliated with any brokerage firm, bank, or have any proprietary funds.

## MISCELLANEOUS

***Non-Discretionary Service Limitations:*** Clients that engage with Clearstead for traditional consulting (i.e. non-discretionary) services must be willing to accept that Clearstead cannot effect the investment changes that it recommends. Therefore, there may be material market changes between the time a portfolio change is recommended and a trade is implanted by the client. In some cases, traditional consulting clients will grant Clearstead with operational trading authority which authorizes the client's custodian to accept client approved trade instructions from Clearstead. If Clearstead is granted operational trading authority, clients must be willing to accept that Clearstead cannot instruct client's custodian to process trades without obtaining prior consent from the client. Thus, in the event that Clearstead recommends a portfolio change (including in the event of an individual holding or general market correction), and the client not available, Clearstead will be unable to effect the account transaction(s) without first obtaining the client's consent.

***Unaffiliated Private Investment Funds:*** Clearstead may recommend that certain qualified clients consider an investment in private investment funds. Typically these investments are made through the ClearAccess platform. Clearstead's clients are under absolutely no obligation to consider or make an investment in a private investment recommendation.

Private investment funds generally involve risk, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a subscription agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment. If a client engages with Clearstead under an assets under management based advisory fee, Clearstead typically includes the value of private fund investments that it recommends. The value for all private investment funds owned by the client will reflect the most recent valuation provided by the fund sponsor. The current value of any private investment fund could be significantly more or less than the original purchase price or the price reflected in any supplemental account report.

***Portfolio Activity:*** Clearstead has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, Clearstead will review client portfolios on an ongoing basis to determine if any changes are necessary due to market or economic conditions, if investments have fallen outside of prescribed

ranges, and/or a change in the client's investment objectives. Based upon these factors, there may be extended periods of time when Clearstead determines that changes to a client's portfolio are neither necessary nor prudent. Of course, as indicated below, there can be no assurance that investment decisions made by Clearstead will be profitable or meet any performance expectations.

**Cash Positions:** Clearstead may maintain cash and cash equivalent positions (such as money market funds) for defensive and liquidity purposes. Unless otherwise agreed in writing, all cash and cash equivalent positions will be included as part of assets under management based advisory fees.

**Client Obligations:** In performing our services, Clearstead shall not be required to verify any information received from the client or from the client's other professionals and is expressly authorized to rely thereon. Moreover, each client is advised that it remains 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 or revising our previous recommendations and/or services.

**Disclosure Statement:** A copy of Clearstead's written disclosure statement as set forth in this Form ADV Part 2A shall be provided to each client prior to, or contemporaneously with, the execution of the Investment Advisory Agreement. In addition, from time to time, Adviser may be required to deliver certain documents to the client. Client, to the extent that client has email capability and/or web access, hereby consents to the Adviser's use of electronic means, such as email, to make delivery of required and other documents. This delivery may include notification of the availability of such document(s) on a website, and client agrees that such notification will constitute "delivery." In conjunction with the investment advisory agreement, the client agrees to provide Clearstead with the client's email address and to keep this information current at all times by promptly notifying Clearstead of any change in email address.

## **AMOUNT OF ASSETS UNDER ADVISEMENT & MANAGEMENT**

As of 12/31/2022, total institutional and private client assets under advisement were approximately \$26.6 billion, which includes assets under management. Total institutional and private client assets under management were \$10,227,847,468 (\$6,789,154,187 discretionary and \$3,438,693,281 non-discretionary). Of the approximate \$10.2 billion assets under management \$5.2 billion were with institutional clients and \$5.0 billion were with private clients.

## **Item 5 Fees and Compensation**

Institutional clients are typically billed on assets under advisement and/or assets under management, though Clearstead may bill clients using a fixed annual retainer. Clearstead's advisory fee is negotiable and varies based on the circumstances of each client, including, but not limited to the discretionary authority, size, complexity, degree of custom work, time requirements, number of accounts or custodians, travel required, and services provided to the client.

### **Institutional Advisory Fees:**

Most clients that have an advisory fee based on assets under management will have an annual fee between 0.05% and 0.30%, if the assets are above \$25 million. Clients that have assets less than \$25 million may pay an asset-based fee greater than the range listed previously. Clients that pay a fixed annual retainer may have fees that are outside of the range listed above, if calculated as an asset-based fee.

### **Sub-Advisor Investment Management Fees:**

Negotiated fee schedule based on the services provided to unaffiliated advisor, which ranges between 10 and 40 basis points (0.10% to 0.40%).

Clearstead advisory fees are calculated and billed quarterly in advance at the beginning of each calendar quarter, using the prior quarter's account valuation. For example, the first quarter billing (1/1 thru 3/31) will use market values as of 9/30 the prior year. In some cases, client fees are calculated and billed quarterly in advance at the



beginning of each calendar quarter, using the most recent quarter's account valuation. Most institutional clients are invoice directly by mail; however, a client may elect to have Clearstead's fees withdrawn directly from the client's account. Fees may be collected from one or more accounts identified as related accounts by the client, provided that Clearstead retains the sole discretion to determine whether or not accounts are related accounts. For clients that have an AUM-based fee, separately managed accounts, and private investments that Clearstead recommends are typically included in the fee calculation. The market value used for separately managed accounts and private investments are typically based on the prior quarter end or in rare cases the most recent market value, depending on the availability of the data. All questions regarding Clearstead's fee or what assets or accounts are subject to billing should be directed to their consultant.

From time to time Clearstead will have a flat retainer-based or project-based fee with a client. These rates are set by the size, scope and complexity of the engagement. However, in all cases, Clearstead's only source of revenue is the fees paid by clients.

### **Executive Financial Services**

Most clients have a separate fixed flat retainer fee for financial services that is customized to each client situation and the investment, financial planning and/or tax planning services provided. Clearstead will typically charge a one-time fee to conduct an initial financial analysis, according to a limited-scope agreement. If the executive decides to engage Clearstead for ongoing services an advisory fee will be negotiated, which could be subject to a minimum fee. Also, the initial limited-scope fee will be deducted from the clients first-year advisory fee.

### **Sub-Advisor Investment Management**

Where Clearstead serves as a sub-advisor, the primary advisor will deduct Clearstead's annual AUM-based fee from their client's account(s) on a monthly or quarterly basis, billed in advance or arrears, using the most recent month-end or quarter-end account value(s). Clearstead's sub-advisory fee could also be based on a negotiated retainer. The only fee that Clearstead will receive from a client of the primary advisor that engages with Clearstead for sub-advisor investment management services is an advisory fee, according to the terms of the sub-advisor agreement.

### **ClearAccess Platform**

Clearstead clients that invest in alternative investment managers on the ClearAccess platform can invest directly with the investment manager, if eligible, or through a third-party aggregator (GLASfunds, LLC), which Clearstead owns a minority equity stake. Clients are under no obligation to use GLASfunds, LLC to invest in alternative funds.

### **Trust Administration Services**

Most clients will be charged an hourly fee or separate fixed flat retainer fee for Trust Administration Services that is customized to each client situation, based on the types of services provided and estimated hours to complete work.

### **Private Client Advisory Services**

Please see fees in separate Part 2A disclosure

**Limited Negotiability of Advisory Fees:** Although Clearstead has established the aforementioned fees, Clearstead retains the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule, which means that a client's advisory fee may be greater or less than the fees described above. These factors include but are not limited to the complexity of the client, assets to be placed under advisement, anticipated future additional assets; related accounts; portfolio style, account composition, reports, and maintaining discretionary or non-discretionary authority. The specific annual fee schedule is identified in the investment advisory agreement between Clearstead and each client. All fees are agreed upon prior to entering into a contract with any client.

## **GENERAL INFORMATION**

**Termination of the Advisory Relationship:** A client agreement may be canceled at any time, by either party, for any reason upon receipt of 90 days written notice, unless different termination terms have been agreed to according to a client's advisory agreement.

**Mutual Fund Fees:** All fees paid to Clearstead for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without Clearstead's services. In that case, the client would not receive the services provided by Clearstead which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and Clearstead's fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

**Sub-Advisor Managed Account Fees:** Clearstead may recommend sub-advisors to Clients to as part of their investment portfolio. Clients engaged with sub-advisors will be charged an advisory fee by the unaffiliated sub-advisor in addition to the advisory fee charged by Clearstead.

**ClearAccess Fees:** All fees paid to Clearstead for investment advisory services are separate and distinct from the fees and expenses charged by ClearAccess alternative managers and the third-party administrator (GLASfunds). The alternative manager and (GLASfunds) fees and expenses are described in fund offering documents. These fees will generally include a management fee and can include a performance fee, where applicable.

Clients investing in alternative investments (hedge and private equity funds) through the ClearAccess platform, will also be charged by the platform's third-party investment manager and administrator (GLASfunds) at a negotiated rate based on invested market value. Clients of unaffiliated third-party advisors that invest in ClearAccess managers through GLASfunds will pay a portion of the asset-based fee charged by GLASfunds to Clearstead.

If a client terminates advisory services with Clearstead and remains on the platform administered by GLASfunds, the client will be responsible for all fees associated with remaining on the platform, which could be materially higher than the negotiated fees listed above.

**Wrap Account Fee Programs:** Clearstead does not participate in or recommend wrap accounts to clients, but at the client's request, will evaluate and report on outside wrap accounts that may be held by the client.

**Additional Fees and Expenses:** In addition to Clearstead's advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an underlying investment manager effects transactions for the client's account(s). Some institutional clients are invoiced a one-time custodian validation-communication charge with a subsequent electronic communication yearly fee, per account. If Clearstead imposes these charges, it will be communicated with the client at the inception of the relationship. Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

**ERISA Accounts:** Clearstead is deemed to be a fiduciary to advisory clients that are employee benefit plans pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, Clearstead is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, Clearstead's only source of fees is from client advisory fees.

**Advisory Fees in General:** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

**Limited Prepayment of Fees:** Under no circumstances does Clearstead require or solicit payment of fees in excess of \$1,200 more than six months in advance of services rendered.

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

Clearstead does not charge or receive any performance-based fees.

## ***Item 7      Types of Clients***

Clearstead provides advisory services to the following types of clients:

- Corporate, Private and Public Employee retirement funds (Pension and Savings plans)
- Endowments and Foundations
- Operating funds for non-profit and for-profit organizations, healthcare organizations and insurance companies
- Sub-advisor investment management services
- Private clients (families, individuals, and related entities)
- Family offices and private family trust companies
- Unaffiliated registered investment advisors
- Investment Research and Due-Diligence

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

### **INVESTMENT PHILOSOPHY**

Investment philosophy – We seek to meet our clients' investment objectives after inflation and fees, with an emphasis on assessing and controlling risk. Once that is addressed, we seek superior returns relative to client-specific and market-based benchmarks. Aligning the strategy with client priorities – time horizon, spending needs, legal constraints, beliefs, and culture – is central to optimal returns.

We believe broad diversification reduces portfolio volatility and is a larger determinant of expected returns than individual security selection. This is achieved by allocating investments among various asset classes (fixed income, equity, and alternatives), prudently using passive strategies, and skillfully using active strategies of marketable and alternative assets.

Clearstead is an independent firm and objective in its process to select strategies for marketable and alternative assets.

### **CLIENT INVESTMENT POLICY**

Clearstead works with its clients' committees and professional staffs to develop investment policies that outline procedures for managing, monitoring, and overseeing the investments. In collaboration with fiduciaries in the design of the policies, a final document may include the following:

- Statement of mission, philosophy, and objectives
- Roles and responsibilities for all parties
- Benchmarks for each asset category
- Permitted asset classes and types of investments
- Definition of investment pools
- Strategic asset allocation targets and ranges
- Review criteria for investment managers, including performance review, fees and reporting requirements.
- Reference to adherence to client specific guidelines

## **STRATEGIC ASSET ALLOCATION**

Our asset allocation process is customized for our clients based on their specific objectives and constraints. As mentioned earlier, our process includes collecting key data from the client (e.g. spending requirements and cash flow expectations). Additional client considerations may include liquidity requirements, comfort with volatility, legal constraints, or organizational cultural preferences. Once we have the necessary data, we conduct a spending and asset allocation analysis, incorporating the client's constraints.

Our goal is to help investment committees understand tradeoffs and make decisions about how to achieve objectives. Assuming the goal of the organization is to maintain or grow the spending power of its assets over time, our analysis will illustrate ways to potentially do that: increased return through higher volatility or illiquidity or reduced spending from the portfolio. This discussion is highly collaborative.

Additionally, many of our clients have investments linked to the operations of the organization. Operating and other unrestricted investments may have a different risk tolerance than endowed funds. It is critical that such asset pools are invested appropriately to meet the risk tolerance and liquidity needs of the organization. In many cases, establishing a pool structure (e.g. short-term and long-term pools) is a good way to allocate funds and optimize the risk orientation of the investments. For asset pools that may need such an analysis, we can create sophisticated financial models that incorporate stress testing, Monte Carlo simulations and other statistical tools to help shape the structure of the investments in the context of organizational needs.

In the final step of the process, we incorporate Clearstead's capital market views, the portfolio objectives and constraints, and the spending and asset allocation analysis discussion to arrive at an appropriate long-term strategy.

This process helps both Clearstead and our clients gain comfort with the risk being taken in the portfolio in order to achieve stated return objectives. It may lead to adjustments in equity market beta, interest rate sensitivity or illiquidity if it is determined that the current strategy is either too aggressive or conservative.

## **REBALANCING AND TACTICAL ASSET ALLOCATION**

Once the portfolio is established, we rebalance for two reasons: 1) when we believe tactical changes should be made because of market or economic conditions, and 2) when particular investments have fallen outside of prescribed ranges.

Generally, Clearstead does not stray far from policy targets; however, we will tactically allocate the Portfolio within prescribed asset allocation ranges (+/- 3-5%, typically) in order to express short-term views. We view this as a way to add value on the margin without deviating significantly from the client's long-term strategy. We make incremental adjustments to asset allocations based on quantitative and qualitative inputs from our Asset Allocation Committee, which meets at least quarterly to discuss how portfolios should be positioned based on near-term market expectations. Our internal conversations regarding tactical positioning are generally focused on market fundamentals, including price multiples and interest rate spreads. However, we also take into consideration geopolitical risk, fed activity, inflation, and other economic data.

For non-discretionary clients Clearstead monitors portfolios with the investment policy statement on a monthly basis and provides this information to its clients quarterly via investment reports, so it is rare that investments fall outside of policy ranges. For discretionary clients, we use portfolio management software to monitor the portfolio on a daily basis relative to our internal ranges, which are tighter than the ranges typically found in an investment policy statement. If the portfolio moves outside of these ranges, our portfolio management team is notified, and the account is typically rebalanced. In addition to our internal controls, our monthly reporting tests compliance with the investment policy statement. An "asset allocation compliance" page is included in this reporting and delivered to the client each month.

All investments involve risks, and there can be no guarantee against loss resulting from an investment in any of the securities on the approved funds list, nor can there be any assurance that client's investment objective(s) will be attained. Past performance is not an indicator of future results.

## **INVESTMENT MANAGER EVALUATION**

Clearstead maintains a dedicated investment research department who is responsible for monitoring investment managers. The research effort at Clearstead is coordinated by the Director of Research and dedicated analysts. The team members have assigned coverage areas, tracking domestic equity, international equity, alternative strategies, and fixed income. The Investment Review Committee is responsible for establishing consensus firm-wide views on investment managers and facilitating global macroeconomic discussion among Clearstead's investment professionals. Clearstead's research department is primarily responsible for ongoing manager research and due diligence, manager searches, and quarterly macroeconomic and capital market reviews.

We identify investment managers using a variety of sources, including screening of databases, industry conferences, or references from clients or existing managers. We then evaluate managers using our research principles and conduct a detailed analysis on those that fit our desired criteria.

Manager data is collected by our research team, which interacts directly with investment managers. Data is sent directly to our research professionals and is then entered into our database. We keep extensive files on our clients' managers and utilize the data we collect as part of our due diligence process.

We periodically send out questionnaires to our managers to obtain timely and accurate data. Clearstead meets with all of a client's investment managers and all managers recommended to our clients, both in our office and also at the managers' offices. Managers are monitored on a daily, weekly, and quarterly basis.

Underlying Clearstead's research is Clearstead's independence, ensuring that clients are receiving advice that is objective.

## **MANAGER SELECTION PROCESS**

Clearstead's due diligence process includes reviewing and understanding each manager through Clearstead's Research Principles filter:

- Parent – The beliefs, values and behaviors that differentiate one organization from another that will produce the results that are best for our clients.
- People – Successful firms create an environment where talented professionals can achieve results that are good for the client, the firm and themselves.
- Process – A disciplined, enduring investment process that can be repeated by successive generations and raises confidence in the expected returns.
- Portfolio – Strong portfolios are constructed, managed and reviewed in a manner that is consistent with the highest fiduciary standards.
- Principles - Incorporating the principles of responsible investing into portfolio decisions may better align the client with the broader objectives of society.
- Performance – Investment results reflect a firm's ability to help its clients meet their long-term objectives.

## **MAIN SOURCE OF INFORMATION**

Sources of information include database information on investment management organizations, investment vehicles and individual securities. Clearstead has developed an internal investment manager database to review, track and rank managers. Qualitative and quantitative information on investment managers comes from Clearstead research analysts. Content is also provided from outside data providers. The external data providers include Morningstar, eVestment, and Bloomberg.

## RISK OF LOSS

Clearstead recommends a variety of securities; however, our primary recommendations include mutual funds, ETFs, separately managed investment managers, commingled funds and alternative investments (liquid and illiquid). All securities that Clearstead recommends are subject to general market risk and clients should understand that investing involves risk of loss that clients should be prepared to bear, including the risk that the entire amount invested could be lost. Our investment approach seeks to minimize risks, but below is a summary of potential material risks for the types of investments that Clearstead uses to manage client portfolios. The risks of loss described below should not be considered a complete list of all the risks that clients should consider.

**Management Risk:** Clearstead's judgement about the attractiveness of investment managers could be incorrect. There is no guarantee that the securities, investment strategies, or investment managers recommended for client's accounts will perform as anticipated.

**Allocation Risk:** Although Clearstead seeks to recommend an optimal asset allocation among different asset categories and strategies to limit risk, a client's portfolio could have exposure to an asset category, strategy, or investment manager that performs poorly relative to other asset categories, strategies or investment managers.

**Investment Manager:** Clients should carefully consider the investment objectives, risks, and expenses associated with the investment managers and vehicles (mutual funds, ETFs, pooled investments, separate account managers) that Clearstead recommends. Although Clearstead seeks to be transparent and explain information about the investment managers it recommends, clients are encouraged to review this information on their own.

**Equity Securities Risk:** Equity securities (common, convertible, and preferred) could decline in value if issuer's financial condition declines or in response to overall market and economic conditions. A security or fund's market segment (large cap, mid cap, small cap, growth, or value) may perform differently from other market segments or the equity markets as a whole. Investing in small-cap or mid-cap securities or funds may have greater risk and price volatility than large-cap securities or funds.

**Non-US Investments Risk:** Investing in securities outside the US (foreign) involve risks not typically associated with US investments. Some of these risks include political, economic, legal, currency, accounting, and tax, which can cause greater risk and price volatility. More established non-US markets (developed) may have governments that are more stable compared to emerging markets which can have governments and economies that are less stable and have less liquidity.

**Alternative Investments Risk:** Alternative investments including private equity, private real estate, venture capital, and hedge funds are subject to legal or other restrictions on liquidity that do not exist for other publicly traded (liquid) investments. Investors in alternatives (including client investing through the ClearAccess platform) may not be able to sell when desired or to realize anticipated or reported value when sold. Also, the calculation of fair market value of alternatives can be difficult or delayed and alternatives typically have fees that are higher compared to publicly traded securities.

**Interest Rate Risk:** As nominal interest rates change, the value of fixed income securities (bonds) is likely to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, and their market values likely will decline.

**Credit Risk:** Generally, the lower the credit rating of a fixed income security, the greater the risk that the issuer will default on its obligation. If this were to occur, it is likely that the value of the fixed income security may fall in value.

**Issuer Risk:** The value of a fixed income security could fluctuate due to a number of factors related to its industry or economics sector. For example, municipal securities could fluctuate due to adverse political, legislative, and tax law changes. Also, Government sponsored entities, such as Freddie Mac or Fannie Mae, are not issued or guaranteed by the US government. There may be times when these risks could cause reduced market liquidity and a decreased in the value of the securities.

**General Market Risk:** Risks such as political, economic, and social conditions could cause volatility in financial markets and cause the price of a security, bond, or mutual fund to drop in reaction to tangible and intangible events and conditions.

**Inflation Risk:** Also called purchasing power risk when inflation is present a dollar today will not buy as much as a dollar in the future because purchasing power and potentially performance is eroding at the rate of inflation.

**Liquidity Risk:** Liquidity is the ability to readily convert a security into cash. Generally, the price of a security is affected by the size of the security or issuer and the trading demand. If there is limited trading interest or more investors are trading a certain direction the price of the security could fluctuate.

**Derivatives Risk:** Clients or investment managers may use derivatives such as options, swaps, futures contracts, forward agreements, and other derivative contracts. Derivatives could cause risks due to leverage, volatility, default, and illiquidity and cause a significant difference between the change in market value of a security and the prices of the derivatives.

**Data Source Risk:** Clearstead uses third-party data sources for security valuations, research, and performance. If the information Clearstead receives from a third-party is incorrect, the results that Clearstead reports could be inaccurate. Clearstead has found that the data it receives from third parties has been reliable; however, Clearstead makes no guarantee that the data received from third parties is accurate.

## **Item 9      Disciplinary Information**

Clearstead is required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of its advisory business or the integrity of its management.

Clearstead and its employees have no reportable disciplinary events to disclose.

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

Clearstead is partially owned by Flexpoint Ford which could have a controlling interest in certain other regulated entities. Clearstead does not have any interest in any of these other entities and is not aware whether any of its clients are also clients of the regulated entities owned by Flexpoint Ford.

Clearstead owns a minority equity stake in a third-party alternative investment platform, GLASfunds, LLC, which Clearstead will selectively recommend to clients for investing in alternative managers on the ClearAccess platform. Clients have no obligation to invest in alternative investments or to use GLASfunds, LLC.

On July 1, 2021, Clearstead Trust, LLC ("Clearstead Trust") was established as a wholly owned subsidiary of Clearstead Advisors, LLC. As a separate legal entity, Clearstead Trust provides bespoke trust services to its clients including corporate trustee and relates services. Clearstead Trust is regulated by the Maine Bureau of Financial Institutions, and clients of Clearstead Advisors will have the ability to use Clearstead Trust for services, though Clients are under no obligation to do so. Select employees of Clearstead Advisors will serve as officers and directors of Clearstead Trust and perform specific services for the company.

Effective February 28, 2023, Clearstead acquired Avalon Trust, LLC ("Avalon Trust") as a wholly owned subsidiary of Clearstead Advisors, LLC. As a separate legal entity, Avalon Trust provides bespoke trust services to its clients including corporate trustee and relates services. Avalon Trust is regulated by the Financial Institutions Division of the New Mexico Regulation & Licensing Department, and clients of Clearstead Advisors will have the ability to use Avalon Trust for services, though Clients are under no obligation to do so. Select employees of Clearstead Advisors will serve as officers and directors of Avalon Trust and perform specific services for the company.

Effective March 23, 2023, Clearstead acquired the clients of CLS Consulting, LLC ("CLS"). Although trust administration services will be conducted under Clearstead Advisors, Clearstead will continue to maintain the CLS website ([www.clsconsultingllc.com](http://www.clsconsultingllc.com)).

As indicated in the Part 2A of Form ADV for Private Clients, certain investment adviser representatives and employees of Clearstead maintain licenses with life insurance companies. These individuals will recommend the purchase of products under circumstances where they would be entitled to receive a commission or other compensation in the transaction. In all such circumstances, however, the client will be notified of this payment in advance of the transaction, and under no circumstances will the client pay both a commission to these individuals and a management fee to Clearstead on the same pool of assets. Please note, clients are under no obligation to purchase any of the recommended life insurance products.

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

Clearstead has adopted a Code of Ethics which sets forth high ethical standards of business conduct that it requires of its employees, including compliance with applicable federal securities laws.

Clearstead and its personnel owe a duty of care and a duty of loyalty towards its clients and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Clearstead's Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by all employees.

Other procedures regarding potential conflicts of interest addressed by the firm's Code of Ethics include:

- The Firm prohibits the use of material non-public information. While Clearstead does not believe that it has any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.
- Typically gifts of a nominal value may be offered or received. Gifts in excess of \$250, whether individual or in aggregate must be pre-cleared and pre-approved by the CCO.
- Clearstead's political contributions policy, which aims to ensure compliance with SEC Rule 206(4), places significant restrictions on the ability of the Firm's personnel to make political contributions. Any outside business activity involving a non-affiliated company must be pre-approved so that the Firm can ensure any conflicts of interest in such activities are properly identified and addressed.

Clearstead's Code of Ethics is designed to assure that the personal securities transactions, activities, and interests of our employees will not interfere with (i) making decisions in the best interest of its clients, and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Clearstead personnel have the ability to buy or sell for their personal account's securities identical to or different from those recommended to our clients. In addition, a certain security or securities may also be recommended to a client even when a related person has an interest or position in the same security or securities.

Before an employee purchases an individual stock or bond, pre-clearance must be attained from the Chief Compliance Officer ("CCO"). The CCO maintains a restricted securities list to ensure that employees do not purchase a security where its clients would have inside information. If an employee would like to purchase a "restricted" security, Clearstead prefers such activity during the "open window" period. In any case, where an employee feels that there may be an actual or perceived breach of these policies, he/she is required to review the situation with the CCO immediately.

As part of the Firm's fiduciary duty, Clearstead's personnel will devote to its clients as much time as necessary to appropriately deliver its advisory services. Nonetheless, Clearstead personnel are not restricted from engaging in



other business activities, including service on the boards of other investment-related entities (that are recommended for certain client accounts) or in other investment-related positions. Such activities could be viewed as creating a conflict of interest.

A copy of Clearstead's Code of Ethics is available to clients and prospective clients. You may request a copy by email sent to [swolken@Clearstead.com](mailto:swolken@Clearstead.com) or by calling Clearstead at 216-621-1090

## **Item 12      *Brokerage Practices***

Clearstead does not provide brokerage or custodial services, nor is it affiliated with any brokerage firm, bank, or have any proprietary funds. The only fees that Clearstead receives are from client advisory fees and fees for sub-advisory services.

Clearstead is not a qualified custodian and does not maintain custody of client funds and securities. Clients' assets are maintained at qualified custodians, generally a broker-dealer or bank. Clearstead provides its clients the ability to select a custodian of their choice; however, Clearstead recommends that private client accounts managed by Clearstead be custodied at Fidelity and/or Schwab, Clearstead's preferred custodians. Clearstead has selected Fidelity and Schwab as the most advantageous based on the cost and quality of its services. Clearstead evaluates the cost and services that Fidelity and Schwab provide to its clients on an ongoing basis to ensure that they are advantageous.

Fidelity and Schwab provide Clearstead and its clients with access to its institutional brokerage services, such as trading, custody, reporting, advisor fee deduction and other related services. By maintaining relationships with Fidelity and Schwab, Clearstead's clients have access to investment products and services that they may not otherwise have access to as "retail" clients. Fidelity and Schwab may provide Clearstead with access to research and other services (i.e. educational conferences, practice management consulting) that assist Clearstead in managing and administering client portfolios.

Clearstead is also approved as a sub-advisor on the TD Ameritrade Institutional platform to provide sub-advisor investment manager services to unaffiliated advisor's clients. TD Ameritrade Institutional, a division of TD Ameritrade, is an independent SEC-registered broker-dealer and qualified custodian. The unaffiliated advisor is responsible for negotiating all trading/transaction/custody fees that its clients will be responsible for paying while engaged with Clearstead for sub-advisor investment management services.

Section 28(e) of the Securities Exchange Act of 1934 provides a safe harbor that allows an investment adviser to pay more than the lowest available transaction cost in order to obtain brokerage and research services (commonly referred to as a "soft dollar" arrangement). Clearstead has NOT entered into any formal soft-dollar arrangements or commission-sharing arrangements with any custodian, counterparty or investment manager, and has no intention of doing so. Clearstead does receive economic benefits (e.g. research or services) from custodians, counterparties or investment managers that are generally made available to all institutional clients with which they do business and which Clearstead deems as advantageous to its clients. The economic benefits received by Clearstead do not depend on the amount of brokerage transactions directed to the custodian. Furthermore, Clearstead's receipt of a custodian's general platform services does not diminish Clearstead's duty to act in the best interests of its clients, including to seek best execution or trades for client accounts.

Clearstead requires that clients provide it with written authority to utilize a specific broker-dealer and the corresponding commission costs that will be charged to its clients for transactions.

Clients must indicate any limitations on Clearstead's discretionary authority in writing, which will be recorded in a client's investment policy statement. Clients may change/amend these limitations as required. Such amendments must be provided to Clearstead in writing.

As a matter of policy and practice, Clearstead typically does not block (aggregate) client trades and, therefore, Clearstead implements client transactions separately for each account. Consequently, certain client trades may be executed before others, at a different price and/or commission rate.

In some instances, Clearstead will need to select a broker-dealer for trade execution in instances when a client's custodian does not have an affiliated broker-dealer. For these clients Clearstead is committed to seeking the best terms reasonably available under the circumstances. In some cases Fidelity or Schwab may need to use a non-affiliated broker-dealer to execute a trade (also known as a trade-away), which may incur an additional fee (\$10/trade) that the client is obligated to pay. In order to achieve best execution, Clearstead has established certain trading protocols and practices, which are periodically reviewed. While Clearstead is interested in minimizing fees and commissions, the selection of brokers is primarily based on the broker's ability to competitively execute trades. Other factors taken into consideration include but are not limited to the availability of or specialization in particular investment products and execution capabilities based on size of trade, liquidity and market impact. Past experience with the broker is a contributing factor; for example, Clearstead considers the number of failed trades, back-office support, and the broker's knowledge of the products offered.

In some instances, Clearstead recommends sub-advisors to manage our client's accounts for specific purposes (taxable/municipal bonds, equity managers, etc). Clearstead mandates, when possible that sub-advisors use transaction-based pricing through our preferred custodians (Fidelity or Schwab). If a sub-advisor requires transaction-based trading fees they are in addition to the sub-advisor's investment manager fee.

In rare circumstances and where appropriate, Clearstead will direct a "cross trade" of securities (including, without limitation, fixed income securities) between client accounts, whereby Clearstead arranges for one client account to purchase a security directly from another client. In such cases, Clearstead will review the price of the security from independent sources. Clearstead is not a broker-dealer and receives no compensation from a cross trade; however, the broker-dealer facilitating the cross trade will charge administrative fees to the clients' accounts, if applicable.

Clearstead will direct a cross trade when Clearstead believes that the transaction is in the best interest of the clients, that no client will be disfavored by the transaction, and that the transaction is consistent with Clearstead's duty to seek best execution.

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

Clearstead clients are served by a team of at least three professionals: A Director or higher, an Associate, and a Performance Analyst. This team is responsible for reviewing client accounts and verifying their accuracy. There are two levels of account review: Quarterly Audits and On-going Investment Manager Reviews.

The team of professionals involved in these reviews include:

- Michael P. Shebak, Senior Managing Director, Head of Institutional Consulting
- Brian K. Hrabak, CFA, Senior Managing Director
- Adam J. Blake, AIF, Senior Managing Director
- Grant Guyuron, CFA, Senior Managing Director
- Anthony M. Saracusa, CIMA, Senior Managing Director
- David J. Rubis, CPFA, AIF®, Senior Managing Director
- John F. Colla, CFA, Senior Managing Director
- Lawrence M. Carone, CFA, CAIA, Senior Managing Director
- Matthew J. Kolenich, CPFA, AIF, Managing Director
- Brian T. Wunderle, Managing Director
- Joseph T. Adams, Director
- Bayley H. Miozzi, Associate
- John P. Lenehan, Associate
- Kristen Low, Associate
- Gareth J. Hannigan, Client Service Associate

- Samantha Karoly, Client Service Associate
- Bradley D. Knapp, CFA, CAIA, Executive Managing Director, Private Client and Trust Services
- Carl J. Tippit, CFA, President
- Satricia A. Rice, JD, CFA, CIMA, Senior Managing Director, Head of Private Client Group
- Svetlana M. Loshakov, CFA, Head of Investments, Senior Managing Director
- Aneet P. Deshpande, CFA, Chief Investment Strategist, Senior Managing Director
- Allen W. Dengler, Director, Head of Portfolio Management
- Bianca L. Friscan, Senior Managing Director, Operations
- Mitchel H. Green, Director, Institutional Operations
- Konstantin Goldberg, Associate Portfolio Manager
- John Rodriguez, Associate Portfolio Manager
- Sandra J. Wallenhorst, Senior Associate, Reporting
- Jessica Ackermann, Reporting Operations Coordinator
- Claudia N. Kerchenski, Operations Coordinator
- Kyle Shuki, Performance Analyst
- Benjamin L. Dehaan, Performance Analyst
- David Mooney, Performance Analyst
- Nate Rearick, Performance Analyst
- Mark R. Cleary, Performance Analyst
- TJ Conway, Reporting Associate
- David C. Fulton, Jr., CFA, Chairman and C.E.O.
- Steven F. Wolken, IACCP, C.C.O.

One of the key differentiators for Clearstead is its comprehensive reporting platform. Clearstead's client reports are detailed, robust, and have valuable analytical tools for portfolio analysis. Clearstead has invested significant capital in its client reporting to ensure that clients receive first class, industry leading performance reports.

Clearstead utilizes Investment Metrics to generate customized client reports. Investment Metrics is an institutional reporting platform that facilitates data collection from both custodians and portfolio managers and allows for the delivery of transparent, thorough, and customizable reports to clients. Clearstead evaluates its clients' portfolios on monthly basis to check positioning and make tactical adjustments. Tactical positioning is evaluated by Clearstead's consultants, and decision making is driven by Clearstead's Asset Allocation Committee. Furthermore, quarterly reports include a policy compliance page to document portfolio weightings vs. targets and ranges. Additionally, Clearstead has an on-going process to review client relationships at least annually. This effort is coordinated through Clearstead's Account Review Committee comprised of senior professionals of the firm which analyze aspects of a client's investment policy, asset allocation, investment managers, and reporting.

Clients receive account statements directly from the account's qualified custodian, at least quarterly, that detail the portfolio holdings and securities transactions made in the account. Clients should compare the statements they received from their custodian with the reports provided by Clearstead. A monthly newsletter is also sent to Clearstead's clients unless they choose to opt-out.

In rare circumstances and where appropriate, Clearstead will direct a "cross trade" of securities (including, without limitation, fixed income securities) between client accounts, whereby Clearstead arranges for one client account to purchase a security directly from another client. In such cases, Clearstead will review the price of the security from independent sources. Clearstead is not a broker-dealer and receives no compensation from a cross trade; however, the broker-dealer facilitating the cross trade will charge administrative fees to the clients' accounts, if applicable.

Clearstead will direct a cross trade when Clearstead believes that the transaction is in the best interest of the clients, that no client will be disfavored by the transaction, and that the transaction is consistent with Clearstead's duty to seek best execution.

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

Clearstead has Promotor (“Solicitor”) arrangements with non-supervised persons for client referrals. If a client is introduced to Clearstead by a solicitor, Clearstead may pay that solicitor a referral fee in accordance with the requirements of the Investment Advisers Act and any state securities law regulations. Each arrangement must be in compliance with the Investment Advisers Act of 1940.

For each successful referral that becomes engaged as a Clearstead client, Clearstead will pay to the solicitor a fee that represents a percentage of the advisory fee that Clearstead charges and collects from the client. In all cases, Clearstead requires that potential clients be provided a copy of Clearstead’s ADV Part 2A Brochure as well as the terms of the specific referral arrangement. Clearstead’s client is not charged the cost of the solicitation. (*i.e.*, Clearstead does not increase its client’s fee to cover the solicitor’s fee).

We may also compensate our employees, including our portfolio managers, who refer potential clients to us for our services. Thus, the employee will have a financial interest in the selection of Clearstead by the client for advisory services.

## **Item 15      *Custody***

Clearstead is not a qualified custodian and does not maintain custody of client funds and securities. However, Clearstead is deemed to have custody of some of its client’s accounts due to affiliated employees acting as trustee for client accounts, the processing of third-party checks on the behalf of clients, and its ability to directly access some client accounts to facilitate its comprehensive wealth management (e.g. trading and advisory fee deduction) and other services offered to clients. In order to satisfy the SEC custody rule, Clearstead submits itself to an annual surprise asset verification examination by an independent public accounting firm.

Clients are sent account statements on a quarterly or on a more frequent basis directly from their qualified custodians. In addition, investment clients of Clearstead typically receive quarterly investment reports. Clearstead encourages clients to carefully review and compare Clearstead’s reports to their custodial statements and notify Clearstead if any discrepancies are found.

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

Clients may hire Clearstead to provide discretionary or non-discretionary asset management services.

Discretionary asset management means that Clearstead can place trades in a private client’s account without contacting the client prior to each trade.

Clearstead’s discretionary authority includes the ability to do the following without contacting the client:

- determine the security to buy or sell; and/or
- determine the amount of the security to buy or sell

Institutional clients give Clearstead discretionary authority when they sign a discretionary advisory agreement with Clearstead and may limit this authority through written instructions. Clients may also change/amend such limitations by once again providing Clearstead with written instructions.

Non-discretionary asset management means that Clearstead provides investment recommendations for a client’s portfolio, but Clearstead will not execute any trades in the client’s account without the client’s consent.

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

As a matter of policy, Clearstead does not vote client securities (i.e., proxies). Clients can choose to receive their proxies or other solicitations directly from their custodian or utilize Clearstead's third-party proxy voting vendor. However, clients can contact Clearstead with questions about a particular proxy matter.

For clients interested in Clearstead coordinating their proxy voting, Clearstead utilizes Institutional Shareholder Services (ISS), which Deutsche Börse AG owns a majority share (approximately 80%), with the remaining stake of the firm owned by Genstar Capital and ISS management and is a leading provider of corporate governance solutions to the global financial community. This service allows Clearstead to manage client voting restrictions and final vote decisions while outsourcing the processing and management to ISS. ISS receives clients' proxy ballots, works with custodian brokerages, and banks, executes votes on clients' behalf, and maintains comprehensive voting records.

## ***Item 18    Financial Information***

As an Advisory firm that maintains discretionary authority for client accounts, Clearstead is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. Clearstead has no additional financial circumstances to report.

Clearstead does not require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered. Therefore, Clearstead is not required to include a financial statement.

Clearstead has not been the subject of a bankruptcy petition at any time during the past ten years.