

# Herring RIA Sub, LLC

***Form ADV Part 2A Brochure***

***March 31, 2023***

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This Brochure provides information about the qualifications and business practices of Herring RIA Sub, LLC (“PB Adviser”), a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. If you have any questions about the contents of this Brochure, please contact us at [hello@helloplaybook.com](mailto:hello@helloplaybook.com). Our Brochure is also available on our website free of charge.

The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about PB Adviser also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

This Item of the Brochure will discuss only specific material changes that have been made to the Brochure since our last annual update and provide clients with a summary of such changes. The last annual update of our Brochure (the initial filing) was December 21, 2021.

The following material changes are included in this Brochure:

Item 5 – Playbook revised pricing for the Membership Program, which includes access to the optional investment advisory services offered by PB Adviser. Clients may now elect to pay their Membership Fee either on a monthly or annual basis. Under the revised pricing, Playbook automatically charges either (i) a fixed monthly fee of \$79, or (ii) a fixed annual fee of \$468, to every client with an active Playbook membership account (the "Membership Fee"). To activate their Playbook membership, clients are required to have an active credit card linked to their account to pay the Membership Fee. Clients select either monthly or annual billing when they activate their Playbook membership. Regardless of whether monthly or annual billing is selected, the Membership Fee will not be prorated for clients that cancel their membership before the end of the billing cycle they have selected. The annual option will result in a lower Membership Fee for clients that maintain an active membership for at least six months.

The client has the right to terminate their investment management agreement without penalty and receive a full refund of any Membership Fees within seven days after the day the client activates their Playbook membership if they do not wish to continue their membership.

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## **Item 4 – Advisory Business**

Herring RIA Sub, LLC ("PB Adviser") is an investment adviser registered with the Securities and Exchange Commission ("SEC"). PB Adviser was registered as an adviser in [2021] and is a wholly owned subsidiary of Herring Labs, Inc. (doing business as "Playbook"). PB Adviser offers an automated investment advisory service that provides portfolio management services and goals-based planning tools exclusively through an online interface and application accessible via mobile devices. PB Adviser's automated investment advisory service is an optional benefit that is part of a membership program offered by Playbook (the "Membership Program"). Playbook is not a registered investment adviser.

### Portfolio Management Services

PB Adviser uses the Playbook platform ("platform") to collect certain profile information to help clients determine an appropriate investment strategy. Based on each client's stated goals, risk tolerance and time horizon, PB Adviser will calculate a risk score that it will use to match the client with a portfolio of exchange-traded funds ("ETFs") and corresponding asset allocation model (each, an "ETF Model"). The ETF Models offered by PB Adviser seek to use highly liquid, low-fee ETFs. The asset allocation for each ETF Model is determined by PB Adviser based on historical rates of return. Although Playbook will gather additional information to assist with the account enrollment process, the ETF Model allocation is currently based solely on the client's risk score. Clients may not override the specific ETF choices or place restrictions on the use of certain ETFs. However, clients have the ability to customize their ETF Model by changing their risk score and asset allocation via the risk allocation tool. Clients who wish to invest in the ETF Model will enter into an investment management agreement with PB Adviser and open an advisory account ("Advisory Account"). PB Adviser will have discretionary authority to manage the assets in each client's Advisory Account. Neither Playbook, nor PB Adviser, will have investment discretion or authority over any other bank or investment accounts that may be linked through the Playbook platform.

### Goals-Based Planning Tools

Clients participating in the Membership Program are asked to connect their bank and investment accounts, including any Advisory Accounts, through the platform. The platform provides clients with goals-based planning tools to create automatic monthly transfers across a client's various accounts with a view towards maximizing contributions to tax advantaged accounts. Based on inputs provided by the client (such as goals, targets,

destination accounts, and available monthly budget), PB Adviser will recommend how much money to move into each client account based on the client's selected priorities. Clients are not required to transfer assets in accordance with the goals-based plan offered by Playbook. Clients may override or change transfer instructions at any time. Playbook will instruct its payment service provider, Dwolla, to transfer funds on a monthly basis in accordance with the instructions provided by each client through the platform. Playbook will only transfer available cash among linked accounts in accordance with client instructions.

As of December 31, 2022, PB Adviser managed regulatory assets totaling \$ 420,920 on a discretionary basis. As of December 31, 2022, PB Adviser does not manage any assets on a nondiscretionary basis.

## **Item 5 – Fees and Compensation**

Although PB Adviser does not charge an advisory fee for client assets invested through its platform, Playbook automatically charges either (i) a fixed monthly fee of \$79, or (ii) a fixed annual fee of \$468, to every client with an active Playbook membership account (the "Membership Fee"). To activate their Playbook membership, clients are required to have an active credit card linked to their account to pay the Membership Fee. Clients select either monthly or annual billing when they activate their Playbook membership. Regardless of whether monthly or annual billing is selected, the Membership Fee will not be prorated for clients that cancel their membership before the end of the billing cycle they have selected. The annual option will result in a lower Membership Fee for clients that maintain an active membership for at least six months.

The Membership Fee is charged in advance to the credit card linked to the account in the client's profile – either monthly or annually as selected by the client. The initial Membership Fee is charged on the day the client activates their Playbook membership account on the platform, and then, for clients who have selected monthly billing, on the same day each month thereafter, but no later than the 28th of each month. Clients who elect to pay as an annual fee will be charged the initial Membership Fee on the day the client activates their Playbook membership account on the platform, and then on the same day each year thereafter, but no later than the 28th of the anniversary month each year. For example, if a client joins on March 30 and elects monthly billing, the monthly fee will be due on the 28th of each following month until canceled. Playbook will not charge any clients interest on the Membership Fee, but may suspend service if the Membership Fee is not collected within 60 days. Regardless of whether monthly or annual billing is selected, clients who cancel their membership during any calendar month will not be charged a prorated Membership Fee.

Playbook may reduce, or waive the Membership Fees for the accounts of some clients without notice to, or fee adjustment for, other clients.

PB Adviser does not charge clients an asset-based management fee or any fees related to trading services. PB Adviser reserves the right, in its sole discretion, to institute an advisory fee for all or certain client accounts in the future, subject to advance notice.

Since there are no advisory fees charged for the management of client accounts invested through PB Adviser's automated investment services, no advisory fees are refunded or charged on a pro-rata basis after termination of an Advisory Account. Upon termination of any Advisory Account, clients will have the right to use the platform to access their statements, historical performance, or transaction history for 12 months. The client has the right to terminate their investment management agreement without penalty and receive a full refund of any Membership Fees within seven days after the day the client activates their Playbook membership if they do not wish to continue their membership.

Clients may incur certain charges imposed by custodians, brokers, and other third parties, including but not limited to fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to the Membership Fee. Neither Playbook nor PB Adviser receive any portion of such charges, fees and commissions.

Neither PB Adviser nor its employees receive or accept any direct or indirect compensation related to investments that are purchased or sold for client accounts.

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

PB Adviser does not charge any performance-based fees (fees based on a share of capital gains or capital appreciation of the assets of a client).

## **Item 7 – Types of Clients**

PB Adviser provides portfolio management services to individuals and high net worth individuals. There is no minimum balance necessary to join the Membership Program. However, in order to use PB Adviser's investment advisory services, client's must open and maintain a minimum \$10.00 balance in any Advisory Accounts they wish to establish, including Individual Retirement Accounts ("IRAs"). Clients with smaller Advisory Account

balances should understand that the Membership Fee of \$59 (or \$348 if annual billing is selected) will represent a significant percentage of the assets in an Advisory Account, and there is no guarantee that the returns generated by the Advisory Account will exceed the amount of the fee. However, clients are not required to open or maintain an Advisory Account in order to participate in the Membership Program, which also provides clients with access to goals-based planning tools and the ability to create automatic monthly transfers across a client's various accounts.

Withdrawal functionality via the Playbook website or mobile application may be limited from time-to-time, or not allowed, for certain accounts, especially those that may incur significant tax obligations, such as IRAs. In these cases, Playbook may require clients to contact customer support or operations directly in order to confirm their instruction and the client's identity. Playbook also reserves the right to refuse a request for withdrawal or transfer of assets when Playbook cannot adequately confirm that the external bank account belongs to said client. In such cases, Playbook will instead send the requested funds to the client via the original funding mechanism used to open the Advisory Account, or to the client's address of record.

Prospective clients evaluating PB Adviser's investment advisory service should be aware that its service is limited and its relationship with clients is different from the "traditional" investment adviser relationship in several aspects including:

- PB Adviser provides clients with limited goals-based recommendations with a focus on maximizing annual contributions to tax advantaged accounts and building strategies to lower clients' taxable income. PB Adviser's services are not a comprehensive financial plan and should not be relied upon as such.
- PB Adviser is a software-based financial adviser, which means each client must acknowledge its ability and willingness to conduct a relationship with PB Adviser on an electronic basis and to receive all documentation related to the advisory services on an electronic basis. PB Adviser does not make individual representatives available to discuss investment related servicing matters with clients. Customer service representatives are available via email to assist clients for technical support purposes only.
- PB Adviser provides its portfolio management services by requesting that clients provide certain information online when opening Advisory Accounts. PB Adviser will remind clients via email on at least a yearly basis that they are able to update their stated risk preferences, and clients will be able to use the risk allocation tool to modify their portfolio allocation strategies at any time. From time-to-time, PB Adviser may request that clients answer additional questionnaires seeking to update clients'

investment profiles. Neither PB Adviser nor any of its employees or representatives meet with clients face-to-face.

- PB Adviser's service uses a series of pre-set ETF Models. Clients may select from any of the pre-set ETF Models to modify their portfolio strategy but may not customize the pre-selected ETFs making up each of the ETF Models.
- Clients may not place orders to buy or sell ETFs or individual securities on a self-directed basis on the Playbook platform.

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

PB Adviser will recommend asset allocations and specific securities for clients to invest in, in accordance with the ETF Models, as described in Item 4, that will reflect the clients' stated risk score. PB Adviser will provide details to clients with respect to the allocation of securities in the ETF Model that PB Adviser has recommended.

Investing in securities involves risk of loss that clients should be prepared to bear. PB Adviser and its analytical investment process rely on the ability to assess risk, and may fail to anticipate significant changes in the behavior of financial markets. In addition, the ETF Model allocations are designed with a long-term view of asset class returns and correlations based on historical data. ETF Model allocations are reviewed quarterly. As a result, Playbook will generally not make short-term (or tactical) changes to the asset allocation reflected in ETF Models based on short-term changes in the behavior of financial markets. However, on rare occasions PB Adviser may choose to make changes to asset allocation models based on data which may be provided to PB Adviser by third-party service providers. Such changes in market conditions could be the result of a variety of unpredictable factors, including major geopolitical events, changes in the financial system induced by failure of one or many large market participants, or unexpected changes in macroeconomic conditions due to the influence of global market demand and supply factors, to name a few. While PB Adviser's investment strategies represent an attempt to balance client portfolios with respect to such risks, such balance may not be achieved, potentially leading to inadequate performance of PB Adviser's risk models and portfolio construction methodologies.

Subsequent to the initial allocation of securities in a client account, ETF Models are also systematically evaluated any time there are deposits or withdrawals of funds, or when PB Adviser determines that there is excess cash in a client account. PB Adviser reserves the right, in limited cases, to wait up to five Business Days to place trade orders in a client's account from the day the custodian (currently, APEX Clearing Corporation ("APEX")) credits



a client's account with a deposit. This may be done to ensure that enough time has passed to successfully complete a transfer of client assets into the cash account.

"Business Day" is defined as any day in which the New York Stock Exchange is open for trading execution. During this time, a client's cash may not be invested, and thus not be subject to a financial gain or loss from any market activity.

PB Adviser will review client accounts at least quarterly ("quarterly rebalancing") to determine whether or not the ETF Model's asset allocation has drifted by more than 5% from the target allocation. If an account has drifted by more than 5% it will automatically be rebalanced back to the target allocation. PB Adviser reserves the right, in its sole discretion, to modify or change the target asset allocation for a client's account pursuant to changes in market movement or conditions.

In some cases, PB Adviser's rebalancing strategy will result in PB Adviser selling ETFs that have outperformed, while using the resulting proceeds to purchase underperforming ETFs, in order to bring the portfolio back to its target allocations. Any gain in value the client receives as a result of the rebalance could create a tax liability for the customer or reduce the performance of the portfolio over time. PB Adviser recommends that customers consult with a tax or legal professional if they have questions or issues related to their specific tax or legal status.

**Investment Strategies - Models:** In general, PB Adviser will maintain a limited set of ETF Models for taxable and nontaxable accounts. Each type of account (taxable or nontaxable) will have five portfolios available for clients to invest in, though that mix may change over time. These portfolios will have similar risk profiles, but will have slightly different asset classes that reflect the different tax treatment for taxable and nontaxable accounts.

These asset classes may include the following: Stocks, Bonds, and Real Estate.

These asset classes provide exposure to global markets and assets. PB Adviser will continue to evaluate new asset classes, and may update the available ETF Models in the future when it determines that adding exposure to an asset class would benefit clients.

PB Adviser will construct portfolios by leveraging a mix of ETFs. When choosing ETFs, PB Adviser primarily considers the following criteria:

1. Fees: PB Adviser seeks to select ETFs with low expense ratios. The cheapest ETF is not always the most appropriate, so PB Adviser strives to mix low cost while still meeting as many of the criteria below as it can.
2. Significant track record: PB Adviser seeks to select ETFs with at least 5 years of investment performance history. A longer track record also provides more opportunity for

the ETF provider to receive analyst ratings on the ETF. These ratings may have a positive impact on liquidity of the ETF.

3. Tracking error: ETFs do not always perfectly track the indices they are designed to mimic. This is known as "tracking error"; stated simply, the difference between the performance, or holdings, of an ETF and its benchmark. As ETF holdings change price, ETF providers must perform a cost/benefit analysis of constantly rebalancing the ETF. The more trades that occur, the more expensive the ETF becomes. Conversely, less trading equals lower fees, but a higher likelihood that the ETF will vary from the benchmark.

4. Liquidity: PB Adviser selects ETFs that it believes will have enough liquidity to allow purchases and sales at any given time. Without adequate liquidity, ETFs may exhibit both higher costs to execute (through larger spreads), but also may have significant negative ramifications in a market downturn.

Every method of analysis has its own inherent risks, including the one employed by PB Adviser. PB Adviser cannot guarantee any level of performance or that any client will avoid a loss of account assets.

The securities markets in which PB Adviser invests inherently contain imperfect information. Accordingly, to the extent PB Adviser relies on such information when making investment decisions, such decisions may be based on inaccurate or outdated information which could adversely impact the performance of an account.

Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by PB Adviser) will be profitable or that they will meet any specific performance level. PB Adviser does not represent, warrant, or imply that the services or methods of analysis employed by PB Adviser can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines.

All investment programs have certain risks that are borne by the client, and PB Adviser's investment approach constantly keeps these risks in mind. However, clients face the following investment risks, among others:

- **ETF Risk:** Investing in ETFs does not guarantee a return on investment, and shareholders of an ETF may lose the principal that they've invested into a particular ETF. ETFs invest into underlying securities that comprise the ETF, and as such clients are exposed to the risks arising from such underlying securities. ETFs charge internal expenses to their shareholders, and such internal expenses subtract from their potential for market appreciation. Shares of an ETF may be traded like stocks on the

open market and are not redeemable at a net asset value. As such, the value of an ETF may fluctuate throughout the day and investors will be subject to the cost associated with the bid-ask spread (the difference between what a buyer is willing to pay (bid) for an ETF and the seller's offering (ask) price). ETF performance may not exactly match the performance of the index or market benchmark that the ETF is designed to track because 1) the ETF will incur expenses and transaction costs not incurred by any applicable index or market benchmark; 2) certain securities comprising the index or market benchmark tracked by the ETF may, from time to time, temporarily be unavailable; and 3) supply and demand in the market for either the ETF and/or for the securities held by the ETF may cause the ETF shares to trade at a premium or discount to the actual net asset value of the securities owned by the ETF.

An ETF typically includes embedded expenses that may reduce the fund's net asset value, and therefore directly affect the fund's performance and indirectly affect a client's portfolio performance or an index benchmark comparison.

- **Currency Risk:** ETFs that hold shares of foreign (non-USD denominated) companies are subject to foreign currency risk. This could result in the performance of the local index deviating significantly from a USD-denominated ETF that our clients hold.
- **Change in the underlying fees:** Playbook will diligence and periodically review the ETFs available to clients, but issuers of ETFs may choose to change the fees at their own discretion. These fees can include management fees, custodian fees, brokerage commissions, and/or legal and accounting fees.
- **Delisting of the ETF:** an issuer may decide, or be forced, to delist or liquidate the ETF. If a client holds a position in an ETF when it is delisted, then this client's account with PB Adviser may be subject to any costs associated with liquidating the ETF. These costs could be transactional or expose the client to additional taxes.
- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and/or intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic, and social conditions represent potential market risk triggers.
- **Advisory Risk:** There is no guarantee that PB Adviser's judgment or investment decisions about particular securities will necessarily produce the intended results.

- **Systems Risk.** It is possible that PB Adviser or Playbook itself, may experience computer equipment failure, loss of internet access, viruses, or other events that may impair access to Playbook's website or mobile applications.
- **Inflation Risk:** When any type of inflation is present, a dollar will be worth more today than a dollar in the future, because purchasing power is eroding at the rate of inflation.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e., interest rate). This primarily relates to fixed income securities and to ETF securities that have exposure to fixed income.
- **Limited Nature of the Service:** PB Adviser's recommended ETF Model allocation is currently based solely on a client's risk score which is calculated based on each client's stated goals, risk tolerance, and time horizon. This service is not intended to be a complete investment program and is not suitable for all investors. In addition, the universe of investment products offered through the service is currently limited to broad market index-based ETFs. Clients should consider these limitations in evaluating the investment advice and recommendations provided through the service.
- **Liquidity and Valuation Risk:** High volatility and/or the lack of deep and active liquid markets for a security may prevent a client from selling his or her securities at all, or at an advantageous time or price, or may force them to sell at a significant discount to market value.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of loss, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value, and if such events occur on a large scale, they may affect even broad market indexes and related passive investments.
- **Software Risk:** PB Adviser delivers its services entirely through software. Consequently, PB Adviser's software-developing affiliates and/or vendors rigorously design, develop and test software extensively before putting such software into production with actual client accounts and assets, and periodically monitor the behaviors of such software after deployment. Notwithstanding this rigorous design, development, testing and monitoring, it is possible that such software may not always perform as intended or as disclosed on the website, mobile application, blogs or other

PB Adviser or Playbook disclosure documents. PB Adviser strives to monitor, detect and correct any software that does not perform as expected or as disclosed.

- **Tax Risk:** The purchase and sale of securities in a client account may generate tax obligations for the client. PB Adviser does not provide tax advice, and therefore clients should consult a tax professional for guidance on such matters.

While this information provides a synopsis of the events that may affect the investments PB Adviser makes on behalf of its clients, this listing is not exhaustive.

### **Item 9 – Disciplinary Information**

Investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of PB Adviser or the integrity of PB Adviser's management. Neither PB Adviser nor any of its employees have been the subject of any material legal or disciplinary events applicable to this Item.

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

PB Adviser has no other financial industry activities or affiliations that create a material conflict of interest.

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

PB Adviser has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at PB Adviser must acknowledge the terms of the Code of Ethics annually, or as amended.

PB Adviser anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will recommend to investment advisory clients or prospective clients, to purchase or sell securities in which PB Adviser, its affiliates and/or clients, directly or indirectly, have a position of interest. PB Adviser's employees and persons associated with PB Adviser are required to follow PB Adviser's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of PB Adviser and its affiliates may

trade for their own accounts in securities which are recommended to and/or purchased for PB Adviser's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of PB Adviser will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interest of PB Adviser's clients. In addition, the Code requires pre-clearance of many transactions. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between PB Adviser and its clients. Clients and prospective clients may receive a copy of PB Adviser's Code of Ethics upon request.

## **Item 12 – Brokerage Practices**

Under the terms of the Investment Advisory Agreement, clients authorize and instruct PB Adviser to direct brokerage transactions for client assets to APEX, a FINRA registered broker-dealer and member of SIPC, which provides trade execution and clearing services in addition to traditional brokerage and custody services.

PB Adviser executes trades through APEX in recognition of the value of the brokerage and other services that APEX provides, both directly and through APEX's clearing relationships. The factors that PB Adviser considers in designating APEX as approved broker include, but are not limited to: execution capability and available liquidity; timing and size of particular orders; commission rates; responsiveness; trading experience; reputation, integrity and fairness in resolving disputes; quality of application programming interfaces and technology; and other factors. Clients should understand that not all investment advisers recommend, request, or require their clients to direct brokerage transactions to a particular broker.

PB Adviser believes that the direction to trade through APEX is reasonable in light of the fact that clients do not pay any securities transaction costs (e.g., commissions or SEC fees) for trades executed through APEX. Brokerage and execution fees are negotiated and paid by PB Adviser.

PB Adviser will monitor the execution quality provided by APEX and will periodically reevaluate the quality and cost of APEX's brokerage services in accordance with PB Adviser's overall responsibilities for accounts over which it has investment discretion, but it will not

select broker-dealers or evaluate best execution in terms of any particular transaction. Instead, all trades will be placed with APEX. By directing brokerage through APEX, PB Adviser will not always be able to obtain the most favorable execution for client transactions and it is possible that clients will pay higher transaction costs or receive less favorable net prices as a result of the decision to direct brokerage to APEX. It is possible that the prices, commissions, other execution costs, and transaction charges for trades directed through APEX will not be as favorable as those that would be obtained if trades were placed through another broker-dealer. However, as noted above, clients do not pay brokerage execution costs associated with transactions in their accounts. Brokerage and execution fees are negotiated and paid by PB Adviser. As a result, PB Adviser has an incentive to negotiate favorable brokerage execution costs that will permit PB Adviser to continue to offer its clients a competitively priced service.

PB Adviser does not engage in any "soft dollar" practices involving the receipt of research or other brokerage service in connection with client transactions, nor does PB Adviser compensate or otherwise reward any brokers for client referrals.

PB Adviser does not direct the order flow from clients to specific destinations in exchange for payment for that order flow ("PFOF"). However, APEX does and may continue to accept such PFOF. PFOF includes any monetary payment, service, property or benefit that result from remuneration, compensation or consideration to a broker-dealer from another broker-dealer in return for routing customer orders to that broker-dealer. APEX does not share any such PFOF with PB Adviser.

If an ETF Model experiences portfolio drift, APEX will recommend certain rebalancing trades to PB Adviser. PB Adviser will review these trades and instruct APEX to trade. In those cases where PB Adviser determines that the purchase or sale of a particular ETF security is appropriate for more than one client account, PB Adviser will generally (but is not required to) instruct APEX to aggregate or combine those client orders ("Block Orders") for execution purposes. Block Orders help to facilitate best execution and reduce market impact. Block Orders also allocate equitably among participating clients the impact of any market fluctuations that might have occurred had such orders been placed independently. Each account that participates in a Block Order will be charged or credited with the average price and, if applicable, a pro-rata share of any commissions or fees for transactions in that particular security on the same trading day. The average price may be more or less favorable than what a client would have received if the orders were not aggregated. Although PB Adviser generally aggregates client orders and sends them to APEX for execution on a single trading day, there may be occasions on which it is necessary to trade over multiple trading days due to unusual market activity or technological limitations.

In the event that PB Adviser executes Block Orders over multiple trading days, client allocations will be subject to a randomized selection process designed to ensure that clients are treated on a fair and equitable basis over time. When PB Adviser aggregates transactions, allocation of the securities so purchased or sold is made by PB Adviser in the manner it considers to be the most equitable and consistent with its fiduciary obligations to such accounts. PB Adviser will follow procedures to ensure that allocations do not involve a practice of systematically disadvantaging any client or group of clients over time.

### **Item 13 – Review of Accounts**

PB Adviser provides its clients with access to their account information via the internet. The client will receive account statements from their custodian no less frequently than quarterly which outline the client's current position and market value. Such client custodial statements and reports will be delivered by the custodian electronically. Client custodial account statements are also available via the Playbook website at any time. Clients may also receive periodic e-mail communications regarding their accounts. PB Adviser does not mail statements directly to clients.

On at least an annual basis, PB Adviser will contact each client via the application to request that the profile information previously provided be updated, if appropriate due to changes in circumstance. Alternatively, PB Adviser may, on at least an annual basis, remind clients that they may modify their portfolio allocation by utilizing the risk allocation tool. PB Adviser will retain the client account profile data.

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

PB Adviser compensates third-parties for referring investment advisory clients to the firm. PB Adviser will comply with applicable requirements under the Advisers Act to disclose the compensation arrangements and related conflicts to the extent required.

### **Item 15 – Custody**

PB Adviser does not have actual custody of client funds or securities. All client funds and securities are maintained at one or more qualified custodians. PB Adviser makes recommendations to clients regarding the transfer of funds as part of a goals-based savings or investment plan. If the client approves the plan, the client authorizes Playbook, in accordance with the plan, to instruct Dwolla (a "Payment Processor") to initiate transfers of



funds or securities between accounts held in the clients own name at one or more qualified custodians. Neither PB Adviser, Playbook, nor Dwolla are authorized to instruct a transfer of client funds or securities to a third-party account, and none of them have discretion regarding the timing or amount of transfers of client funds. Neither PB Adviser, Playbook, nor any of their respective agents or employees has authorization to make any changes to a client's account settings with respect to transfers of funds or securities. The client may modify a planned transfer at any time subject to certain IRS contribution limits for individual retirement accounts.

Clients should receive at least quarterly statements from the broker dealer (APEX), bank or other qualified custodian that holds and maintains the client's assets. PB Adviser urges clients to carefully review such statements and compare such official custodial records to the account statements that PB Adviser may provide to clients.

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

PB Adviser manages client investment portfolios on a discretionary basis. Clients may customize their portfolio allocations and update their preferences using the risk allocation tool.

In advance of providing services, all clients must first execute an Investment Advisory Agreement with PB Adviser describing the obligations of both parties entering into such agreement.

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

As a matter of firm policy and practice, PB Adviser does not have, and will not accept, any authority to vote proxies on behalf of advisory clients. Clients will receive proxy materials directly from the custodian and retain the responsibility for voting proxies for any and all securities maintained in client portfolios. Clients should direct any inquiries regarding such proxies or other solicitations to the sender.

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

PB Adviser does not require or solicit prepayments of more than \$1,200 in fees per clients, six months or more in advance. PB Adviser has no financial commitment that impairs its

ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.