

## Item 1: Cover Page

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

March 23, 2023

#### **Innovis Asset Management LLC**

SEC No. 801-123253

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This brochure provides information about the qualifications and business practices of Innovis Asset Management LLC. If you have any questions about the contents of this brochure, please contact us at 858-414-3929. 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. Registration with the SEC or state regulatory authority does not imply a certain level of skill or expertise.

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

## **Item 2: Material Changes**

This Firm Brochure is our disclosure document prepared according to regulatory requirements and rules. Consistent with the rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary. At this time there are no material changes from the last update of this disclosure statement issued on January 14, 2022.

## Item 3: Table of Contents

Item 1: Cover Page.....	1
Item 2: Material Changes.....	2
Item 3: Table of Contents .....	3
Item 4: Advisory Business .....	4
Item 5: Fees and Compensation .....	7
Item 6: Performance-Based Fees and Side-by-Side Management.....	10
Item 7: Types of Clients.....	11
Item 8: Methods of Analysis, Investment Strategies, and Risk of Loss .....	12
Item 9: Disciplinary Information.....	20
Item 10: Other Financial Industry Activities and Affiliations.....	21
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	22
Item 12: Brokerage Practices .....	24
Item 13: Review of Accounts .....	33
Item 14: Client Referrals and Other Compensation.....	34
Item 15: Custody .....	35
Item 16: Investment Discretion.....	36
Item 17: Voting Client Securities.....	37
Item 18: Financial Information .....	38

## Item 4: Advisory Business

### A. Ownership/Advisory History

Innovis Asset Management LLC (the "Company," "we" and/or the "firm") is a Delaware limited liability company founded in 2022 with its principal place of business in Illinois. The Company became registered as an investment adviser in 2022. Chad Whiteley is the owner of the Company.

### B. Advisory Services Offered

The following paragraphs describe the services offered by the Company. Please refer to the following paragraphs for more detail about the specific service, and how we tailor our services to your individual needs. As used in this Brochure, the words "our" and "us" also refer to the Company. The words "you," "your" or "client" refer to our clients and prospective clients. Other terms may be defined later in this Brochure as well.

#### Investment Advisory Services

The Company offers continuous and ongoing investment advice and portfolio management services. Our advice and services are tailored to meet our client's individual needs, life circumstances and investment goals. We have discussions with the client at least annually to understand client goals, income, return objectives, risk tolerance, time horizons and liquidity needs. We use the information we gather to create an Investment Policy Statement (IPS) which guides an individualized investment portfolio for the client and customized asset allocation across the Company's active strategies.

Account management and supervision is guided by the client's IPS, investment portfolio, and market conditions. We manage clients' investment accounts on a discretionary basis. Once we construct an investment portfolio for a client, we will monitor the portfolio's performance on an ongoing and continuous basis, unless otherwise agreed, and will adjust and reallocate as necessary due to changes in market conditions and the client's circumstances as communicated to us. For our discretionary asset management services, the Company will receive a limited power of attorney to effect securities transactions on behalf of a client. Pursuant to an agreement with a client, we may agree to limitations on our discretionary authority. Such limitations would not, however, be typical.

We explore different types of investment options and strategies in the design of a client's customized investment portfolio. Our investment recommendations are not limited by any specific product or service offered by a broker-dealer or custodian. These recommendations will generally include, but not necessarily be limited to, security types from the following list:

- Mutual fund shares
- Exchange traded fund shares
- Public securities
- Separately managed accounts

- Money market funds and other cash instruments
- Debt securities

Each type of security has its own unique set of risks associated with it, and it would not be possible to list here all the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it. Because some types of investments involve certain additional degrees of risk, they will only be recommended and implemented when consistent with the client's investment portfolio. Although we may discuss private equity securities with a client and review private placement memorandums at the client's request, we will not make specific recommendations as to whether a client should buy, sell or hold private equity securities.

Clients have the right to provide the firm with any reasonable investment restrictions that should be imposed on the management of their portfolio (must be in writing and sent to the firm), and should promptly notify the firm in writing of any changes in such restrictions or in the client's personal financial circumstances, investment objectives, goals and tolerance for risk. The Company will remind clients of their obligation to inform the firm of any such changes or any restrictions that should be imposed on the management of the client's account. The Company will also contact clients at least annually to determine whether there have been any changes in a client's personal financial circumstances, investment objectives and tolerance for risk.

### **Third-Party Money Managers**

As part of our investment advisory services, we may recommend a third-party money manager to manage a portion of the client's investment portfolio. Factors we take into consideration when making our recommendation include, but are not limited to, the money manager's performance, investment strategies, methods or analysis, advisory fees and other fees, assets under management, and the client's financial objectives and risk tolerance. We would generally retain authority to hire/fire the third-party money manager, and we regularly monitor the performance of the money manager to ensure its management and investment style remain aligned with the client's objectives and risk tolerance. The Company continuously manages any third-party money manager relationship and continuously monitors the client's account(s) for performance metrics and adherence to the client's IPS. Each third-party money manager maintains a separate disclosure document that will be provided directly to the client from the third-party money manager. The client should carefully review the third-party money manager's disclosure document for information regarding fees, risks and investment strategies, and conflicts of interest. The third-party money manager will charge fees to the client, which fees will be in addition to the fees charged by the Company.

## **C. Client-Tailored Services and Client-Imposed Restrictions**

Each client's account will be managed on the basis of the client's financial situation and investment objectives and in accordance with any reasonable restrictions imposed by the client on the management of the account—for example, restricting the type or amount of security to be purchased in the portfolio.

#### **D. Wrap Fee Programs**

The Company does not participate in wrap fee programs, where brokerage commissions and transaction costs are included in the asset-based fee charged to the client.

#### **E. Client Assets Under Management**

As of December 31, 2022, the Company managed \$345.8 million of discretionary assets.

## Item 5: Fees and Compensation

### A. Methods of Compensation and Fee Schedule

The Company's fee for our investment advisory services will generally be charged as a percentage of assets under management with us, according to the following schedule:

<u>Assets Under Management</u>	<u>Annual Fee Rate</u>
\$0 to 3,000,000	1.00%
More than \$3,000,000	0.75%

Although the Company has established the above fee schedule, we may negotiate other fee schedules depending on the size of the account, type of account, the level of client service required and other factors we consider relevant, including timing of client relationship. The specific annual fee being charged to the client will be set forth and identified in an agreement between the Company and that client. The Company may modify the fee at any time upon 30 days' written notice to the client and with client written consent. In the event the client has an ERISA-governed plan, fee modifications must be approved in writing by the client.

The Company typically imposes a minimum \$1,000,000 in investment assets. However, this minimum amount is negotiable.

Asset-based fees are always subject to the management agreement between the client and the Company. Fees are charged quarterly in arrears. The quarterly fee is determined by applying one-quarter of the applicable annual percentage fee to the market value of the portfolio, generally as determined by the custodian, on the last business day of each calendar quarter. For partial quarters, fees are pro-rated. Adjustments for significant contributions to or withdrawals from a client's portfolio (greater than 20% of the account market value) are prorated for the quarter in which the change occurs. Unless other arrangements are made, fees are directly debited from a client's account(s), and each client is required to provide the qualified custodian of the client's account(s) written authorization to deduct the fees described.

Cash and assets which are invested in shares of mutual funds and exchange-traded funds are included in the calculation of the value of the client's assets under management with us for purposes of computing our fee. Cash and money market accounts are also included in the computation. A client's margin balance is typically included when calculating assets under management with us. Fees are charged on gross market value. This will be in addition to any margin interest being paid by the client. Clients are advised that the Company has an economic incentive to recommend the use of margin leverage.

In some circumstances, the client may require the services of a specialist such as an attorney or accountant since we do not provide any legal, tax, or accounting advice. The Company may recommend third-party service providers, but the client is under no obligation to use any service provider recommended by the Company. Fees for specialists will be negotiated between the client and specialist directly, and we would not be involved.

For clients who retain the Company for its investment advisory services, generally, there is no separate fee for any financial planning services the Company may provide, unless the services are extensive and/or complex. In that situation, fees may be charged after agreement with the Client. In some circumstances, a financial plan may require the services of a specialist such as an insurance specialist, attorney or tax accountant. The Company does not provide any of these services. The Company may recommend third-party service providers, but the client is under no obligation to use any service provider recommended by us. Fees for specialists will be negotiated between the client and specialist directly.

## **B. Client Payment of Fees**

The Company does not require the prepayment of its fees. The Company requires clients to authorize the direct debit of fees from their accounts. Exceptions may be granted subject to the firm's consent for clients to be billed directly for our fees. For directly debited fees, the custodian's periodic statements will show each fee deduction from the account. Clients may withdraw this authorization for direct billing of these fees at any time by notifying us or their custodian in writing.

The Company will deduct advisory fees directly from the client's account provided that (i) the client provides written authorization to the qualified custodian, and (ii) the qualified custodian sends the client a statement, at least quarterly, indicating all amounts disbursed from the account.

The client is responsible for verifying the accuracy of the fee calculation, as the client's custodian will not verify the calculation.

A client investment advisory agreement may be terminated by either party for any reason upon 30 days' written notice to the other party. Upon termination, any earned, unpaid fees will be immediately due and payable.

## **C. Additional Client Fees Charged**

All fees paid for investment advisory services are separate and distinct from the fees and expenses charged by exchange-traded funds, mutual funds, separate account managers, private placement, pooled investment vehicles, broker-dealers, and custodians retained by clients. Such fees and expenses are described in each exchange-traded fund and mutual fund's prospectus, each separate account manager's Form ADV and Brochure and Brochure Supplement or similar disclosure statement, each private placement or pooled investment vehicle's confidential offering memoranda, and by any broker-dealer or custodian retained by the client. Clients are advised to read these materials carefully before investing. If a mutual fund also imposes sales charges, a client may pay an initial or deferred sales charge as further described in the mutual fund's prospectus. A client using the Company may be precluded from using certain mutual funds or separate account managers because they may not be offered by the client's custodian.

Please refer to the Brokerage Practices section (Item 12) for additional information regarding the firm's brokerage practices.



## **D. External Compensation for the Sale of Securities to Clients**

The Company advisory professionals are compensated primarily through a salary and bonus structure/ through a percentage of advisory fees charged to clients. The Company is not paid any sales, service or administrative fees for the sale of mutual funds or any other investment products with respect to managed advisory assets.

## **E. Important Disclosure – Custodian Investment Programs**

Please be advised that the firm utilizes certain custodians/broker-dealers. Under these arrangements we can access certain investment programs offered through such custodian(s) that offer certain compensation and fee structures that create conflicts of interest of which clients need to be aware. Please note the following:

***Limitation on Mutual Fund Universe for Custodian Investment Programs:*** There are certain programs in which we participate where a client's investment options may be limited in certain of these programs to those mutual funds and/or mutual fund share classes that pay 12b-1 fees and other revenue sharing fee payments, and the client should be aware that the firm is not selecting from among all mutual funds available in the marketplace when recommending mutual funds to the client.

***Conflict Between Revenue Share Class (12b-1) and Non-Revenue Share Class Mutual Funds:*** Revenue share class/12b-1 fees are deducted from the net asset value of the mutual fund and generally, all things being equal, cause the fund to earn lower rates of return than those mutual funds that do not pay revenue sharing fees. The client is under no obligation to utilize such programs or mutual funds. Although many factors will influence the type of fund to be used, the client should discuss with their investment adviser representative whether a share class from a comparable mutual fund with a more favorable return to investors is available that does not include the payment of any 12b-1 or revenue sharing fees given the client's individual needs and priorities and anticipated transaction costs. In addition, the receipt of such fees can create conflicts of interest in instances where the custodian receives the entirety of the 12b-1 and/or revenue sharing fees and takes the receipt of such fees into consideration in terms of benefits it may elect to provide to the firm, even though such benefits may or may not benefit some or all of the firm's clients.

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

We do not charge performance-based fees or participate in side-by-side management. Performance-based fees are fees which are based on the share of capital gain or capital appreciation of a client's account.

Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged a performance-based fee. We do not charge performance-based fees, nor do we provide side-by-side management.

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

The Company offers its investment services primarily to high net-worth individuals and institutions. The types of clients the Company provides services to includes, but is not limited to, individuals, business entities, charitable organizations, pension plans, profit sharing plans, trusts, estates and donor advised funds as well.

The Company typically imposes a minimum \$1,000,000 in investment assets. However, this minimum amount is negotiable under certain circumstances.

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

### A. Methods of Analysis and Investment Strategies

#### Methods of Analysis

The Company may use one or more of the following methods of analyses or investment strategies when providing investment advice to clients, subject to the clients' investment objectives, risk tolerance, time horizons and stated guidelines:

- *Fundamental Analysis.* We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell). We look at historical and present financial statements of the company, annual reports, governmental filings and business activities. Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock. Individualized analysis of underlying documentation can vary.
- *Asset Allocation.* Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance, and we seek to create a portfolio to maximize potential return relative to portfolio risk. A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, necessitating periodic re-balancing of client portfolios.
- *Mutual Fund and/or ETF Analysis.* We look at the experience and track record of the manager of the mutual fund or ETF to determine if the manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in other fund(s) in the client's portfolio. A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.
- *Tax Analysis.* We attempt to use low-cost and tax-efficient funds with an overarching asset location strategy that encompasses all accounts. We generally try to hold tax inefficient funds inside qualified accounts and tax-efficient funds in non-qualified

accounts. We review how to harvest tax losses to offset investment gains and ordinary income. We review converting pre-tax funds to Roth to fill up lower federal tax brackets and plan around state income tax brackets depending on current and anticipated residence.

The Company customarily utilizes a three-step process to manage our large capitalization growth strategy.

- *Quantitative screening.* The Company's quantitative process screens an array of financial metrics to produce a workable set of manageable securities.
- *Qualitative research.* The Company's primary research process examines trends, industry analysis and data unique to specific companies
- *Technical analysis.* The Company's technical analysis involves analyzing the increasing or decreasing demand for certain industries and securities.

The Company may also incorporate a sell discipline for existing positions, but it is not a guarantee against losses of magnitude.

The Company may employ outside vendors or utilize third-party software to assist in formulating investment recommendations to its clients.

The Company may hire sub-advisers to perform any or all of the Company's responsibilities under a client's investment advisory agreement. Investments made by sub-advisers are monitored and reviewed, including with participation by the client, in accordance with the Company's "Review of Accounts" practices described under Item 13 below.

The Company's analysis methods rely on the assumption that the investment vehicles which we recommend for our clients, the companies whose securities we purchase and sell on behalf of our clients, the rating agencies that review these securities, and other publicly or privately available sources of information about these securities, are providing accurate, timely and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate, misleading or untimely information. This is an ongoing risk for all the strategies discussed below.

### **Investment Strategies**

The Company may use the following strategies in managing client accounts. Investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon the client's predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various suitability factors. The client's restrictions and guidelines may affect the composition of the client's portfolio.

- *Large Capitalization Growth.* The Company builds portfolios of individual securities that trade on domestic exchanges. Typically, these securities have market capitalizations greater than \$10,000,000,000. The companies selected are typically those expected to have high levels of growth in revenue and earnings.

- *Dividend Strategy.* The Company constructs portfolios made up of individual securities that pay a dividend at a rate that is generally greater than the yield on the S&P 500, that are growing dividend payouts and that have strong balance sheets to maintain growing dividends. These portfolios are constructed to minimize risk and predominantly use quantitative factors, although some qualitative adjustments may be made by portfolio managers. This strategy will generally have exposure to all equity sectors and uses a dividend yield cap that may reduce portfolio risk by excluding high yielding companies that may be at risk of reducing or eliminating their current dividend policy. These types of companies and sectors used in this strategy expose clients to risks that may be different than the Company's large capitalization growth portfolio
- *Fixed Income Portfolio.* The Company builds portfolios of investment grade bonds, defined as those having a rating of BBB-/Baa3 or better at the time of purchase, and ETFs. These portfolios are designed to provide current income, limited volatility and with limited risk to loss of principal. The Company generally invests in individual bonds and does not invest in bond funds. The Company typically works with clients to determine a fixed date upon which principal is returned, not to exceed ten years.
- *Balanced Portfolios.* The Company constructs balanced portfolios that include individual equities and fixed income securities described in the above investment strategies.
- *ETF Strategy.* It may prove inefficient from a cost standpoint to invest in individual assets for smaller account. The Company may invest in a mix of ETFs for such accounts.
- *Small Capitalization.* This strategy generally invests in smaller companies with a market capitalization under \$4 billion. The strategy may use passive investment vehicles such as index ETFs to gain exposure to these companies. The goal of this strategy is long-term capital appreciation. This strategy generally will have more volatility during certain periods but will potentially have higher long-term investment returns.

### **Risk of Loss**

Investing involves a risk of loss. Clients should be prepared to bear investment loss, including the loss of the original principal. Clients should never presume that future performance of any specific investment or investment strategy will be profitable. Further, there may be varying degrees of risk depending on different types of investments. Clients should know that all investments carry a certain degree of risk ranging from the variability of market values to the possibility of permanent loss of capital. Although portfolios seek principal protection, asset allocation and investment decisions may not achieve this goal in all cases. There is no guarantee a portfolio will meet a target return or an investment objective.

Risks to capital include, but may not be limited to, changes in the economy, market volatility, company results, industry sectors, accounting standards and changes in interest rates. Investments are generally subject to risks inherent in governmental actions, exchange rates, inflation, deflation, and fiscal and monetary policies. Market risks include changes in market sentiment in general and styles of investing. Diversification will not protect an investor from these risks and fluctuations.

The Company does not engage in high-frequency trading activities.

Additional risks may include, but are not limited to, the following:

- *Market risk.* Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of client investments. Stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. Common stock (or its equivalent) is generally exposed to greater risk than preferred stocks and debt obligations of an issuer.
- *Company risk.* There is always a certain level of company or industry specific risk that is inherent in each investment. Although this risk can be reduced through appropriate diversification, it cannot be eliminated. There is the risk that the issuer will perform poorly or have its value reduced based on factors specific to the issuer or its industry. If the issuer experiences credit issues or defaults on debt, the value of the issuer may be reduced.
- *Exchange traded fund and mutual fund risk.* Shares of ETFs may trade at a discount from their net asset value in the secondary market. This risk is distinct from the risk that the net asset value of fund shares may decrease. The amount of such discount from the net asset value is subject to change from time to time in response to various factors. If shares of an ETF trade at a market price that reflects a discount to the value of the fund's underlying assets, the discount could increase over time. ETFs are subject to various risks, including management's ability to meet the fund's investment objective, and to manage the fund's portfolio when the underlying securities are redeemed or sold, during the periods of market turmoil and investors' perceptions regarding ETFs or their underlying investments change. ETFs also face index correlation risk which is the risk that the performance of an ETF will vary from the actual performance of the fund's target index. This can happen due to transaction costs, market impact, corporate actions (such as mergers and spin-offs) and timing variances. *Management risk:* Investments managed by us vary with the success and failure of our investment strategies, research, analysis and determination of portfolio securities.
- *Foreign investments risks.* Non-U.S. investments, currency and commodity investments may contain additional risks associated with government, economic, political or currency volatility.
- *Emerging markets risks.* Emerging markets can experience high volatility and risk in the short term.
- *Liquidity risks.* Generally, assets are more liquid if many investors are interested in a standardized product, making the product relatively easy to convert into cash. Specialized investments may have reduced liquidity.
- *Bond risks.* Investments in bonds involve interest rate and credit risks. Bond values change according to changes in interest rates, inflation, credit climate and issue credit quality. Interest rate increases will reduce the value of a bond. Longer term bonds are more susceptible to interest rate variations than shorter term, lower yield bonds.
- *Sector risks.* Investing in a particular sector is subject to cyclical market conditions and charges.

- *Non-diversification risks.* Investing in a particular sector, issuer, country, region, market, industry, asset class, or groups of any of these, poses more risk than investing in a more diversified mix of investments.
- *Municipal securities risk.* Municipal securities can be significantly affected by political or economic changes, as well as uncertainties in the municipal market related to taxation, changes in interest rates, relative lack of information about certain issuers of municipal securities, legislative changes or the rights of municipal security holders. Municipal securities backed by current or anticipated revenues from a specific project or specific assets can be negatively affected by the inability to collect revenues for the project or from the assets.
- *Private investment risk.* Investments in private investments, including debt or equity investments in operating and holding companies, investment funds, joint ventures, royalty streams, commodities, physical assets, and other similar types of investments can be highly illiquid and long-term. An investor's ability to transfer and/or dispose of private investments is expected to be highly restricted. An investor may not be able to obtain material information about the private investment that other investors obtain. Private investments are not subject to the same reporting and disclosure requirements as public companies.
- *Small-Cap & Mid-Cap Risk.* Investing in securities of small and mid-capitalization companies involves greater risk than customarily is associated with investing in larger, more established companies. These companies' securities may be more volatile and less liquid than those of more established companies. These securities may have returns that vary, sometimes significantly, from the overall securities market. Often small and mid-capitalization companies and the industries in which they focus are still evolving and, as a result, they may be more sensitive to changing market conditions.
- *Cybersecurity Risk.* The computer systems, networks and devices used by us and our service providers employ a variety of protections designed to prevent damage or interruption from computer viruses, network and computer failures and cyberattacks. Despite such protections, systems, networks and devices potentially can be breached. Cyberattacks include, but are not limited to, gaining unauthorized access to digital systems for purposes of corrupting data, or causing operational disruption, as well as denial-of-service attacks on websites. Cyber incidents may cause disruptions and impact business operations, potentially resulting in financial losses, the inability of us or our service providers to trade, violations of privacy and other laws, regulatory fines, reputational damage, reimbursement costs and additional compliance costs, as well as the inadvertent release of confidential information.
- *COVID-19 Pandemic Risk.* The novel coronavirus known as COVID-19 involves significant risk of a sustained increase in the volatility of global markets, which volatility could continue for the foreseeable future. Market responses to decisions made by governments and scientists around the world, including measures to contain the spread of the virus, availability of healthcare and treatments, and rolling shutdowns of markets across the globe would negatively impact markets and pose a significant risk of loss to



investment principal. The pandemic also poses a risk from a human capital and resource perspective.

Because of the inherent risk of loss associated with investing, we are unable to represent, guarantee or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines.

### **Generally**

The Company may incorporate a sell position for existing investments, but this is not a guarantee against loss.

The Company may employ outside vendors or use third party software to assist in formulating investment recommendations for clients.

The Company may hire sub-advisors to perform any or all of the Company's responsibilities under a client's investment advisory agreement. Investments made by sub-advisors are monitored and reviewed, including with participation by the client, in accordance with the Company's "Review of Accounts" practices described under Item 13 below.

Cash balances are typically invested daily in money market accounts or remain in cash.

Our strategies and investments may have unique and significant tax implications. The Company will manage portfolios with an awareness of tax implications, but long-term wealth compounding is our primary consideration. Specific goals regarding account tax efficiency should be set forth in a writing signed by both us and the client. Regardless of account size or other factors, the Company strongly recommends that its clients continuously consult with a tax professional prior to and throughout the investing of clients' assets.

## **B. Investment Strategy and Method of Analysis Material Risks**

Our investment strategy is custom-tailored to the client's goals, investment objectives, risk tolerance, and personal and financial circumstances.

### **Margin Leverage**

Although the Company, as a general business practice, does not utilize leverage, there may be instances in which the use of leverage may be appropriate for certain clients and situations or requested by the clients for personal use. In this regard please review the following:

The use of margin leverage enhances the overall risk of investment gain and loss to the client's investment portfolio. For example, investors are able to control \$2 of a security for \$1. So if the price of a security rises by \$1, the investor earns a 100% return on their investment. Conversely, if the security declines by \$.50, then the investor loses 50% of their investment.

The use of margin leverage entails borrowing, which results in additional interest costs to the investor.

Broker-dealers who carry customer accounts require a minimum equity requirement when clients utilize margin leverage. The minimum equity requirement is stated as a percentage of the value of the underlying collateral security with an absolute minimum dollar requirement. For example, if the price of a security declines in value to the point where the excess equity used to satisfy the minimum requirement dissipates, the broker-dealer will require the client to deposit additional collateral to the account in the form of cash or marketable securities. A deposit of securities to the account will require a larger deposit, as the security being deposited is included in the computation of the minimum equity requirement. In addition, when leverage is utilized and the client needs to withdraw cash, the client must sell a disproportionate amount of collateral securities to release enough cash to satisfy the withdrawal amount based upon similar reasoning as cited above.

Regulations concerning the use of margin leverage are established by the Federal Reserve Board and vary if the client's account is held at a broker-dealer versus a bank custodian. Broker-dealers and bank custodians may apply more stringent rules as they deem necessary.

### **Short-Term Trading**

Although the Company, as a general business practice, does not utilize short-term trading, there may be instances in which short-term trading may be necessary or an appropriate strategy. In this regard, please read the following:

There is an inherent risk for clients who trade frequently in that high-frequency trading creates substantial transaction costs that in the aggregate could negatively impact account performance.

### **Short Selling**

The Company generally does not engage in short selling but reserves the right to do so in the exercise of its sole judgment. Short selling involves the sale of a security that is borrowed rather than owned. When a short sale is effected, the investor is expecting the price of the security to decline in value so that a purchase or closeout of the short sale can be effected at a significantly lower price. The primary risks of effecting short sales is the availability to borrow the stock, the unlimited potential for loss, and the requirement to fund any difference between the short credit balance and the market value of the security.

### **Technical Trading Models**

Technical trading models are mathematically driven based upon historical data and trends of domestic and foreign market trading activity, including various industry and sector trading statistics within such markets. Technical trading models, through mathematical algorithms, attempt to identify when markets are likely to increase or decrease and identify appropriate entry and exit points. The primary risk of technical trading models is that historical trends and past performance cannot predict future trends, and there is no assurance that the mathematical algorithms employed are designed properly, updated with new data, and can accurately predict future market, industry, and sector performance.

### **C. Concentration Risks**

There is an inherent risk for clients who have their investment portfolios heavily weighted in one security, one industry or industry sector, one geographic location, one investment manager, one type of investment instrument (equities versus fixed income). Clients who have diversified portfolios, as a general rule, incur less volatility and therefore less fluctuation in portfolio value than those who have concentrated holdings. Concentrated holdings may offer the potential for higher gain, but also offer the potential for significant loss.

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

There is nothing to report on this item.

### **B. Administrative Enforcement Proceedings**

There is nothing to report on this item.

### **C. Self-Regulatory Organization Enforcement Proceedings**

There is nothing to report on this item.

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

### **A. Broker-Dealer or Representative Registration**

Neither the Company nor its affiliates, employees, or independent contractors are registered broker-dealers and do not have an application to register pending.

### **B. Futures or Commodity Registration**

Neither the Company nor its affiliates are registered as a commodity firm, futures commission merchant, commodity pool operator or commodity trading advisor and do not have an application to register pending.

### **C. Material Relationships Maintained by this Advisory Business and Conflicts of Interest**

The Company maintains no material relationships.

### **D. Recommendation or Selection of Other Investment Advisors and Conflicts of Interest**

The Company may engage third-party money managers to manage all or a portion of the client's assets. The Company's fees are separate and distinct from the third-party managers it utilizes. The Company does not receive any solicitor fees or incentives for recommending such third-party manager.

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

### **A. Code of Ethics Description**

In accordance with the Advisers Act, the Company has adopted policies and procedures designed to detect and prevent insider trading. In addition, the Company has adopted a Code of Ethics (the "Code"). Among other things, the Code includes written procedures governing the conduct of the Company's advisory and access persons. The Code also imposes certain reporting obligations on persons subject to the Code. The Code and applicable securities transactions are monitored by the chief compliance officer of the Company. The Company will send clients a copy of its Code of Ethics upon written request.

The Company has policies and procedures in place to ensure that the interests of its clients are given preference over those of the Company, its affiliates and its employees. For example, there are policies in place to prevent the misappropriation of material non-public information, and such other policies and procedures reasonably designed to comply with federal and state securities laws.

### **B. Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest**

The Company does not engage in principal trading (i.e., the practice of selling stock to advisory clients from a firm's inventory or buying stocks from advisory clients into a firm's inventory). In addition, the Company does not recommend any securities to advisory clients in which it has some proprietary or ownership interest.

### **C. Advisory Firm Purchase or Sale of Same Securities Recommended to Clients and Conflicts of Interest**

The Company, its affiliates, employees and their families, trusts, estates, charitable organizations and retirement plans established by it may purchase or sell the same securities as are purchased or sold for clients in accordance with its Code of Ethics policies and procedures. The personal securities transactions by advisory representatives and employees may raise potential conflicts of interest when they trade in a security that is:

- owned by the client, or
- considered for purchase or sale for the client.

Such conflict generally refers to the practice of front-running (trading ahead of the client), which the Company specifically prohibits. The Company has adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures:

- require our advisory representatives and employees to act in the client's best interest
- prohibit fraudulent conduct in connection with the trading of securities in a client account

- prohibit employees from personally benefitting by causing a client to act, or fail to act in making investment decisions
- prohibit the firm or its employees from profiting or causing others to profit on knowledge of completed or contemplated client transactions
- allocate investment opportunities in a fair and equitable manner
- provide for the review of transactions to discover and correct any trades that result in an advisory representative or employee benefitting at the expense of a client.

Advisory representatives and employees must follow the Company's procedures when purchasing or selling the same securities purchased or sold for the client.

#### **D. Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

The Company, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may effect securities transactions for their own accounts that differ from those recommended or effected for other the Company clients. The Company will make a reasonable attempt to trade securities in client accounts at or prior to trading the securities in its affiliate, corporate, employee or employee-related accounts. Trades executed the same day will likely be subject to an average pricing calculation. It is the policy of the Company to place the clients' interests above those of The Company and its employees.

## Item 12: Brokerage Practices

### A. Factors Used to Select Broker-Dealers for Client Transactions

#### Custodian Recommendations

The Company may recommend that clients establish brokerage accounts with the Schwab Advisor Services division of Charles Schwab & Co., Inc. ("Schwab"), a FINRA registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although the Company may recommend that clients establish accounts at the custodian, it is the client's decision to custody assets with the custodian. The Company is independently owned and operated and not affiliated with custodian. For the Company client accounts maintained in its custody, the custodian may charge separately for custody services but is generally compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through the custodian or that settle into custodian accounts.

The Company considers the financial strength, reputation, operational efficiency, cost, execution capability, level of customer service, and related factors in recommending broker-dealers or custodians to advisory clients.

In certain instances and subject to approval by the Company, the Company will recommend to clients certain other broker-dealers and/or custodians based on the needs of the individual client, and taking into consideration the nature of the services required, the experience of the broker-dealer or custodian, the cost and quality of the services, and the reputation of the broker-dealer or custodian. The final determination to engage a broker-dealer or custodian recommended by the Company will be made by and in the sole discretion of the client. The client recognizes that broker-dealers and/or custodians have different cost and fee structures and trade execution capabilities. As a result, there may be disparities with respect to the cost of services and/or the transaction prices for securities transactions executed on behalf of the client. Clients are responsible for assessing the commissions and other costs charged by broker-dealers and/or custodians.

#### How We Select Brokers/Custodians to Recommend

The Company seeks to recommend a custodian/broker who will hold client assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others, the following:

- combination of transaction execution services along with asset custody services (generally without a separate fee for custody)
- capability to execute, clear, and settle trades (buy and sell securities for client accounts)
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)



- breadth of investment products made available (stocks, bonds, mutual funds, exchange-traded funds (ETFs), etc.)
- availability of investment research and tools that assist us in making investment decisions
- quality of services
- competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them
- reputation, financial strength, and stability of the provider
- their prior service to us and our other clients
- availability of other products and services that benefit us, as discussed below

#### **Client's Custody and Brokerage Costs**

For client accounts that the firm maintains, the custodian may charge clients separately for custody services but is generally compensated by charging either transaction fees or custodian asset-based fees on trades that it executes or that settle into the custodian's accounts. In addition to commissions, the custodian charges a flat dollar amount as a "prime broker" or "trade away" fee for each trade that the firm has executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into the client's custodian account. These fees are in addition to the commissions or other compensation the client pays the executing broker-dealer. Because of this, in order to minimize the client's trading costs, the firm has the custodian execute most trades for the account.

#### **Soft Dollar Arrangements**

The Company generally receives research and services provided by broker-dealers from third-party vendors or by requesting that a broker-dealer step-out client trades or pay research credits to broker-dealers or vendors who produce research products or services. The Company may also trade directly with a broker-dealer who produces research or brokerage services. Selection of these broker-dealers is not made pursuant to an agreement; however, the Company utilizes an internal allocation procedure to identify those brokers or dealers who produce research or services that are provided to the Company and endeavors to direct sufficient research credits generated by its clients' accounts to such brokers or dealers to ensure the continued receipt of the research and services that the Company believes are valuable. To the extent the Company utilizes client transactions to obtain information the Company might otherwise acquire at its own expense, the Company may have an incentive to place a greater volume of transactions or pay higher commissions.

The research and brokerage services provided to the Company may be proprietary or produced by third parties. The research and brokerage services are used by the Company in making investment decisions or trading for client accounts and constitute advice, either directly or through publications or writings, as to the value of securities, the advisability of investing, purchasing, or selling securities, and the availability of securities or purchasers and sellers of securities. They include analysis and reports concerning issuers, industries, securities,

economic factors and trends, portfolio strategies, and meetings where corporate executives are present to provide information on the performance of their companies. They may also include statistical analysis, data and data services, software and computer programs utilized for research and portfolio analysis, trade analytics, market research, and brokerage services relating to execution, clearing, and settlement of transactions. In some cases, products and services may be provided to the Company that constitute both (i) research and brokerage services and (ii) services used for administrative or other functions not related to the investment decision-making or brokerage processes. In such cases, the allocation will generally be made on the basis of the percentage of time devoted to the Company's use of the product for research vs. non-research applications, or such other appropriate measure of the value of the product for each use as the Compliance Officer determines to be appropriate, both initially and upon subsequent periodic review.

Research products or services provided by brokers may be used in servicing any or all of the clients of the Company, and such research products or services may not necessarily be used by the Company in connection with the accounts that paid commissions to the brokers providing such products or services. For various reasons, including differing investment strategies and directed brokerage arrangements, products and services may benefit clients that do not execute transactions generating research or brokerage credits. Brokerage for a related party account and the firm's capital account is directed to a broker providing custody for the accounts; these accounts do not generate research or brokerage credits. Clients that direct brokerage may establish commission recapture programs where services are received directly by the client account in return for brokerage generated by that account.

Research credits generated by client accounts are directly related to the amount of trading costs incurred by each separate account. However, small trades (i.e., those which are valued at less than 1,000 shares) are excluded from being used to pay for research credits. Therefore, large accounts with large trades (i.e., those greater than or equal to 1,000 shares) pay for research credits that are used for the equal benefits of those accounts and for small accounts that do not contribute to the payment of research credits.

As indicated above, individual clients may direct the Company (subject to certain conditions which may from time to time be imposed by the Company) to effect portfolio transactions through specific brokers or dealers. A client who chooses to direct the use of a particular broker or dealer should consider whether such a direction may result in certain costs or disadvantages to the client, either because the client may pay higher commissions on some transactions than might otherwise be obtainable by the Company, or may receive less favorable executions on some transactions, or both. The ability of the Company to negotiate commission rates with directed brokers will be limited. A client who directs brokerage may also be subject to the disadvantages discussed in Item 12.B.3 below regarding aggregation of orders. In determining whether to instruct the Company to utilize a particular broker or dealer, the client may wish to compare the possible costs or disadvantages of such an arrangement with the value of the services provided.

**Institutional Trading and Custody Services**

The custodian provides the Company with access to its institutional trading and custody services, which are typically not available to the custodian's retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a certain minimum amount of the advisor's clients' assets are maintained in accounts at a particular custodian. The custodian's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

**Other Products and Services**

Custodian also makes available to the Company other products and services that benefit The Company but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of the Company's accounts, including accounts not maintained at custodian. The custodian may also make available to The Company software and other technology that

- provide access to client account data (such as trade confirmations and account statements)
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- provide research, pricing and other market data
- facilitate payment of The Company's fees from its clients' accounts
- assist with back-office functions, recordkeeping and client reporting

The custodian may also offer other services intended to help the Company manage and further develop its business enterprise. These services may include

- compliance, legal and business consulting
- publications and conferences on practice management and business succession
- access to employee benefits providers, human capital consultants and insurance providers

The custodian may also provide other benefits such as educational events or occasional business entertainment of the Company personnel. In evaluating whether to recommend that clients custody their assets at the custodian, the Company may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers, and not solely the nature, cost or quality of custody and brokerage services provided by the custodian, which may create a potential conflict of interest.

**Independent Third Parties**

The custodian may make available, arrange, and/or pay third-party vendors for the types of services rendered to the Company. The custodian may discount or waive fees it would otherwise charge for some of these services or all or a part of the fees of a third party providing these services to the Company.

**Additional Compensation Received from Custodians**

The Company may participate in institutional customer programs sponsored by broker-dealers or custodians. The Company may recommend these broker-dealers or custodians to clients for custody and brokerage services. There is no direct link between the Company's participation in such programs and the investment advice it gives to its clients, although the Company receives economic benefits through its participation in the programs that are typically not available to retail investors. These benefits may include the following products and services (provided without cost or at a discount):

- Receipt of duplicate client statements and confirmations
- Research-related products and tools
- Consulting services
- Access to a trading desk serving The Company participants
- Access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts)
- The ability to have advisory fees deducted directly from client accounts
- Access to an electronic communications network for client order entry and account information
- Access to mutual funds with no transaction fees and to certain institutional money managers
- Discounts on compliance, marketing, research, technology, and practice management products or services provided to the Company by third-party vendors

The custodian may also pay for business consulting and professional services received by the Company's related persons, and may pay or reimburse expenses (including client transition expenses, travel, lodging, meals and entertainment expenses for the Company's personnel to attend conferences). Some of the products and services made available by such custodian through its institutional customer programs may benefit the Company but may not benefit its client accounts. These products or services may assist the Company in managing and administering client accounts, including accounts not maintained at the custodian as applicable. Other services made available through the programs are intended to help the Company manage and further develop its business enterprise. The benefits received by the Company or its personnel through participation in these programs do not depend on the amount of brokerage transactions directed to the broker-dealer.

The Company also participates in similar institutional advisor programs offered by other independent broker-dealers or trust companies, and its continued participation may require the Company to maintain a predetermined level of assets at such firms. In connection with its participation in such programs, the Company will typically receive benefits similar to those listed above, including research, payments for business consulting and professional services received by the Company's related persons, and reimbursement of expenses (including travel, lodging, meals and entertainment expenses for the Company's personnel to attend conferences sponsored by the broker-dealer or trust company).

As part of its fiduciary duties to clients, the Company endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by the Company or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the Company's recommendation of broker-dealers for custody and brokerage services.

#### **The Firm's Interest in Custodian's Services**

The availability of these services from the custodian benefits the firm because the firm does not have to produce or purchase them. The firm does not have to pay for the custodian's services so long as a certain minimum of client assets is kept in accounts at the custodian. Custodian's services may give the firm an incentive to recommend that clients maintain their accounts with the custodian based on the firm's interest in receiving the custodian's services that benefit the firm's business rather than based on the client's interest in receiving the best value in custody services and the most favorable execution of client transactions. This is a potential conflict of interest. The firm believes, however, that the selection of the custodian as custodian and broker is in the best interest of clients. It is primarily supported by the scope, quality, and price of the custodian's services and not the custodian's services that benefit only the firm.

#### **Brokerage for Client Referrals**

The Company does not engage in the practice of directing brokerage commissions in exchange for the referral of advisory clients.

#### **Directed Brokerage**

##### **The Company Recommendations**

The Company typically recommends Schwab as custodian for clients' funds and securities and to execute securities transactions on its clients' behalf.

##### **Client-Directed Brokerage**

Occasionally, clients may direct the Company to use a particular broker-dealer to execute portfolio transactions for their account or request that certain types of securities not be purchased for their account. Clients who designate the use of a particular broker-dealer should be aware that they will lose any possible advantage the Company derives from aggregating transactions. Such client trades are typically effected after the trades of clients who have not directed the use of a particular broker-dealer. The Company loses the ability to aggregate trades with other the Company advisory clients, potentially subjecting the client to inferior trade execution prices as well as higher commissions.

## **B. Aggregating Securities Transactions for Client Accounts**

### **Best Execution**

The Company, pursuant to the terms of its investment advisory agreement with clients, has discretionary authority to determine which securities are to be bought and sold, and the amount of securities for such transactions. The Company recognizes that the analysis of execution quality involves a number of factors, both qualitative and quantitative. The Company will follow a process in an attempt to ensure that it is seeking to obtain the most favorable execution under the prevailing circumstances when placing client orders. These factors include but are not limited to the following:

- The financial strength, reputation and stability of the broker
- The efficiency with which the transaction is effected
- The ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any)
- The availability of the broker to stand ready to effect transactions of varying degrees of difficulty in the future
- The efficiency of error resolution, clearance and settlement
- Block trading and positioning capabilities
- Performance measurement
- Online access to computerized data regarding customer accounts
- Availability, comprehensiveness, and frequency of brokerage and research services
- Commission rates
- The economic benefit to the client
- Related matters involved in the receipt of brokerage services

Consistent with its fiduciary responsibilities, the Company seeks to ensure that clients receive best execution with respect to clients' transactions by blocking client trades to reduce commissions and transaction costs. To the best of the Company's knowledge, these custodians provide high-quality execution, and the Company's clients do not pay higher transaction costs in return for such execution.

Commission rates and securities transaction fees charged to effect such transactions are established by the client's independent custodian and/or broker-dealer. Based upon its own knowledge of the securities industry, the Company believes that such commission rates are competitive within the securities industry. Lower commissions or better execution may be able to be achieved elsewhere.

### **Security Allocation**

Since the Company may be managing accounts with similar investment objectives, the Company may aggregate orders for securities for such accounts. In such event, allocation of the securities so purchased or sold, as well as expenses incurred in the transaction, is made by The Company

in the manner it considers to be the most equitable and consistent with its fiduciary obligations to such accounts.

The Company's allocation procedures seek to allocate investment opportunities among clients in the fairest possible way, taking into account the clients' best interests. The Company will follow procedures to ensure that allocations do not involve a practice of favoring or discriminating against any client or group of clients. Account performance is never a factor in trade allocations.

The Company's advice to certain clients and entities and the action of the Company for those and other clients are frequently premised not only on the merits of a particular investment, but also on the suitability of that investment for the particular client in light of his or her applicable investment objective, guidelines and circumstances. Thus, any action of the Company with respect to a particular investment may, for a particular client, differ or be opposed to the recommendation, advice, or actions of the Company to or on behalf of other clients.

### **Order Aggregation**

Orders for the same security entered on behalf of more than one client will generally be aggregated (i.e., blocked or bunched) subject to the aggregation being in the best interests of all participating clients. Subsequent orders for the same security entered during the same trading day may be aggregated with any previously unfilled orders. Subsequent orders may also be aggregated with filled orders if the market price for the security has not materially changed and the aggregation does not cause any unintended duration exposure. All clients participating in each aggregated order will receive the average price and, subject to minimum ticket charges and possible step outs, pay a pro rata portion of commissions.

To minimize performance dispersion, "strategy" trades should be aggregated and average priced. However, when a trade is to be executed for an individual account and the trade is not in the best interests of other accounts, then the trade will only be performed for that account. This is true even if the Company believes that a larger size block trade would lead to best overall price for the security being transacted.

### **Allocation of Trades**

All allocations will be made prior to the close of business on the trade date. In the event an order is "partially filled," the allocation will be made in the best interests of all the clients in the order, taking into account all relevant factors including, but not limited to, the size of each client's allocation, clients' liquidity needs and previous allocations. In most cases, accounts will get a pro forma allocation based on the initial allocation. This policy also applies if an order is "over-filled."

The Company acts in accordance with its duty to seek best price and execution and will not continue any arrangements if the Company determines that such arrangements are no longer in the best interest of its clients.

### **Trade Errors**

From time-to-time the Company may make an error in submitting a trade order on the client's behalf. When this occurs, the Company may place a correcting trade with the broker-dealer. If an investment gain results from the correcting trade, the gain will remain in client's account unless the same error involved other client account(s) that should have received the gain, it is not permissible for client to retain the gain, or the Company confers with client and client decides to forego the gain (e.g., due to tax reasons).

If the gain does not remain in client's account and Schwab is the custodian, Schwab will donate the amount of any gain \$100 and over to charity. If a loss occurs greater than \$100, the Company will pay for the loss. Schwab will maintain the loss or gain (if such gain is not retained in client's account) if it is under \$100 to minimize and offset its administrative time and expense. Generally, if related trade errors result in both gains and losses in client's account, they may be "netted."



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

### **A. Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved**

Each account receives, at a minimum, an annual review by the advisor managing that account. Accounts may be reviewed more frequently through various means, including telephone calls, in-person meetings, overall strategy reviews, and/or the review of monthly and quarterly statements. Reviews are based on objectives and parameters established by clients, which are generally memorialized through their client management agreements. More frequent reviews may also be triggered by a change in the client's investment objectives or risk tolerance, tax considerations, large deposits or withdrawals, large purchases or sales, loss of confidence in investment or fund managers, or changes in the economy or financial markets.

Our compliance personnel will also monitor managed and supervised accounts on an ongoing basis to ensure that the advisory services provided to clients are consistent with the clients' investment goals.

### **B. Review of Client Accounts on Non-Periodic Basis**

The Company may perform ad hoc reviews on an as-needed basis if there have been material changes in the client's investment objectives or risk tolerance, or a material change in how the Company formulates investment advice.

### **C. Content of Client-Provided Reports and Frequency**

The Company reports to the client on at least an annual basis or at some other interval agreed upon with the client, information on contributions and withdrawals in the client's investment portfolio, investment policy statement criteria, portfolio appraisal, economic analysis, and the performance of the client's portfolio measured against appropriate benchmarks (including benchmarks selected by the client).

The client's independent custodian provides account statements directly to the client no less frequently than quarterly. The custodian's statement is the official record of the client's securities account and supersedes any statements or reports created on behalf of the client by the Company.

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

### **A. Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest**

The Company does not receive economic benefits for referring clients to third-party service providers. We receive an economic benefit from Schwab in the form of the support products and services it makes available to us. These products and services, how they benefit us, and the related conflicts of interest are described above under Item 12 Brokerage Practices. The availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

It is our policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from any third-party in conjunction with the advisory and other services we provide our clients.

### **B. Advisory Firm Payments for Client Referrals**

The Company does not pay referral fees to independent persons or firms ("Solicitors") for introducing clients to us.

## Item 15: Custody

The Company is considered to have custody of client assets for purposes of the Advisers Act for the following reasons:

- The client authorizes us to instruct their custodian to deduct our advisory fees directly from the client's account. The custodian maintains actual custody of clients' assets.
- Our authority to direct client requests, utilizing standing instructions, for wire transfer of funds for first-party money movement and third-party money movement (checks and/or journals, ACH, Fed-wires). The firm has elected to meet the SEC's seven conditions to avoid the surprise custody exam, as outlined below:
  1. The client provides an instruction to the qualified custodian, in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.
  2. The client authorizes the investment adviser, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
  3. The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization, and provides a transfer of funds notice to the client promptly after each transfer.
  4. The client has the ability to terminate or change the instruction to the client's qualified custodian.
  5. The investment adviser has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
  6. The investment adviser maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.
  7. The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

Individual advisory clients will receive at least quarterly account statements directly from their custodian containing a description of all activity, cash balances, and portfolio holdings in their accounts. Clients are urged to compare the account balance(s) shown on their account statements to the quarter-end balance(s) on their custodian's monthly statement. The custodian's statement is the official record of the account.

## **Item 16: Investment Discretion**

Clients may grant a limited power of attorney to the Company with respect to trading activity in their accounts by signing the appropriate custodian limited power of attorney form. In those cases, the Company will exercise full discretion as to the nature and type of securities to be purchased and sold, the amount of securities for such transactions, and the executing broker to be used. Investment limitations may be designated by the client as outlined in the investment advisory agreement. In addition, subject to the terms of its investment advisory agreement, the Company may be granted discretionary authority for the retention of independent third-party investment management firms. Investment limitations may be designated by the client as outlined in the investment advisory agreement. Please see the applicable third-party manager's disclosure brochure for detailed information relating to discretionary authority.

## Item 17: Voting Client Securities

Other than for accounts managed by third-party managers or accounts where the client directs the trading, the Company will vote proxies for clients utilizing the Broadridge proxy voting platform. The Company owes certain fiduciary duties with respect to the voting of proxies. These fiduciary duties include (i) the duty of care which is required to monitor corporate events and to vote the proxies, and (ii) the duty of loyalty which is required to vote proxies in a manner consistent with the best interests of the client and to put the client's interests before its own interests. In keeping with its fiduciary duties, The Company has adopted a Proxy Voting Policy, which sets forth policies and procedures designed to ensure that the Company votes each client's securities in the best interests of the client.

The Company will be authorized to take action and render any advice with respect to the voting of proxies for securities held in the client's account. The firm utilizes a third-party service provider (Broadridge) for recommendations with respect to proxy voting. Clients may contact the Company's Managing Member for information about how the Company voted with respect to any of the securities held in their account.

From time to time, securities held in the accounts of clients will be the subject of class action or consumer antitrust class action litigation. The Company, in coordination with Broadridge asset recovery services, will

- determine if securities held by the client are subject to a pending or resolved class action or consumer antitrust class action lawsuit;
- evaluate a client's eligibility to submit a claim to participate in the proceeds of a securities class action settlement or verdict; and/or
- initiate litigation to recover damages on behalf of clients who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by clients.

Successful asset recovery by Broadridge for class action litigation results in Broadridge keeping 20% of the assets recovered. For successful asset recovery in consumer antitrust class action litigation will result in Broadridge keeping 33% of the assets recovered.

Where the Company through Broadridge receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a client, Broadridge will forward all notices, proof of claim forms, and other materials to the client. Electronic mail is acceptable where appropriate and where the client has authorized contact in this manner.

As a general rule, the Company will vote all proxies relating to a particular proposal the same way for all client accounts holding the security in accordance with the Company's Proxy Voting Policy, unless a client specifically instructs in writing to vote such client's securities otherwise. When making proxy voting decisions, The Company may seek advice or assistance from third-party consultants, such as proxy voting services or legal counsel. A copy of the Company's Proxy Voting Policy will be provided upon receipt of a written request.

## **Item 18: Financial Information**

### **A. Balance Sheet**

The Company does not require the prepayment of fees of \$1,200 or more, six months or more in advance, and as such is not required to file a balance sheet.

### **B. Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients**

The Company does not have any financial issues that would impair its ability to provide services to clients.

### **C. Bankruptcy Petitions During the Past Ten Years**

The Company has not been the subject of a bankruptcy petition at any time.