

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

**March 28, 2023**

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Chief Compliance Officer**

This Brochure provides information about the qualifications and business practices of Chatterton & Associates, the Wealth Management Team, Inc., doing business as Chatterton & Associates (referred to as “we”, “us”, or “firm”). If you have any questions about the contents of this Brochure, please contact us by telephone at (714) 572-2050 or email at [john@chattertoninc.com](mailto:john@chattertoninc.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any State Securities Authority.

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

Please note that the use of the term “registered investment adviser” and description of Chatterton & Associates and/or our associates as “registered” does not imply a certain level of skill or training. You are encouraged to review this Brochure and Brochure Supplements for our firm’s associates who advise you for more information on the qualifications of our firm and our employees.

## **Item 2. Material Changes**

Since the last annual amendment to Chatterton & Associates' Form ADV Part 2 on March 30, 2022, the following material changes have been made to this Brochure:

Item 10. Other Financial Industry Activities and Affiliations. We amended this section to disclose conflicts related to certain educational events as well as the relationships the firm and its personnel have with some third party presenters.

Item 14. Client Referrals. We identified the potential for conflicts with our incentive compensation arrangement related to internal client referrals from wealth to tax or from tax to wealth.

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#### **Item 4. Advisory Business**

We are dedicated to providing individuals and other types of clients with a wide array of investment advisory services. Our firm is a corporation formed in the State of California. Our firm has been in business as an investment adviser since 2004 and is owned 100% by Robert D. Chatterton, President.

We offer the following advisory services:

##### **Asset Management:**

We offer discretionary and non-discretionary asset management services based on the individual needs of the client. Understanding your personal situation is very important to the services we provide. Therefore, we will have detailed discussions with you to understand your current financial situation and investments, goals, risk tolerance and investment objectives. The investment objective you select will guide us in managing your account.

Our firm recommends that certain clients allocate investment assets among the various mutual fund asset allocation models, underlying mutual funds, and/or independent investment manager programs offered through SEI Investments Company ("SEI"). SEI is a global asset management company and sponsor of its own proprietary mutual funds. SEI Private Trust Company ("SEI Trust"), a subsidiary of SEI, serves as custodian for each SEI account (SEI and SEI Trust collectively referred to as "SEI"). SEI provides each client with reporting services, including consolidated monthly statements, quarterly performance reports, and year-end tax reports. SEI enables investment advisers such as our firm to offer our clients mutual fund asset allocation models, underlying individual mutual funds, and investment management programs that are not otherwise available to the general public. As part of its overall investment management program, SEI offers quarterly rebalancing of each client's investment assets for the purpose of maintaining the assets in accordance with the client's previously designated percentage (%) asset allocations for the SEI account, if elected by the client. If a client desires automatic account rebalancing, he/she must first provide such authorization directly to our firm, who will then advise SEI accordingly. If the client selects a customized model rather than an SEI asset allocation model, the client's account will not be eligible for automatic rebalancing by SEI. In this case, our firm will provide recommendations or rebalancing based on the client's goals and objectives. Our firm shall not remove clients' account from SEI to another program without the client's consent. The fees charged by SEI are exclusive of, and in addition to, our firm's investment management fee. In addition to our firm's investment management fee, the client, relative to all mutual fund purchases, shall also incur charges imposed at the mutual fund level (e.g., management fees and

other fund expenses). Our firm intends to primarily allocate investment management assets of our client accounts among various investment management programs offered through SEI Investments Company ("SEI") and various independent investment managers on either a discretionary or non-discretionary basis, as elected by our client and in accordance with the investment objectives of our client.

In order for us to manage your assets, you will be required to enter into an investment advisory agreement with Chatterton & Associates and an agreement with SEI. The agreements will set forth the terms and conditions of our relationship, including the amount of your investment advisory fee. You will retain all rights of ownership on your account, including the right to withdraw securities or cash and vote proxies. In addition, you will also have the ability to impose restrictions on investing in certain securities or types of securities at the time you open an account.

Chatterton & Associates provides financial industry informational newsletters to clients on a regular basis free of charge. Chatterton & Associates also hosts occasional free educational seminars for current and prospective clients.

Chatterton Tax, a department of Chatterton & Associates, provides tax advice to its clients in order to mitigate the effects of taxation on the client's income, insurance products, securities sales, and gift and estate decisions.

As of December 31, 2022, we manage \$782,212,711 on a non-discretionary basis and \$161,500,602 on a discretionary basis.

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

Our firm's fees are billed on a pro-rata annualized basis quarterly in arrears based on the value of your account on the last day of the previous quarter according to the following schedule:

<u>Assets Under Management</u>	<u>Annual Percentage of Assets Charge:</u>
Under \$1,000,000	1.00%
\$1,000,001 - \$3,000,000	0.75%
\$3,000,001 - \$5,000,000	0.62%
Over \$5,000,000	0.50%

Fees are negotiable.

Our firm bills on cash unless indicated otherwise in writing. Upon client consent, management fees will be deducted from the client's managed account through a qualified custodian. As part of this process, the custodian will send statements to client's at least quarterly showing the market values for each security included in the account and all disbursements in your account including the amount of the advisory fees paid to us. For clients conducting business through an SEI independent investment manager program, the fees charged by SEI are exclusive of, and in addition to, our firm's investment management fee.

### **Other Types of Fees & Expenses**

Other charges imposed by the custodian include, but are not limited to, IRA and qualified retirement plan fees, ancillary custody charges such as wire transfer fees, fees based on cash or money market deposits, and other charges required by law and imposed by the custodian. For accounts held at Pershing

In addition to the above, clients will pay the following separately incurred expenses, which we do not receive any part of: charges imposed directly by a mutual fund, index fund, or exchange traded fund which shall be disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses).

### **Rollovers**

There is a conflict of interest for individuals that currently invest in an employer-sponsored retirement plan or individual retirement account that are considering a roll out of assets from the retirement plan or account. A conflict of interest exists because we will be compensated only if the individual rolls over the proceeds into an IRA that is then managed by our firm. As a result, it can be construed that we have a financial incentive to recommend one option over another. Therefore, the individual should include in his/her decision making process, a thorough review of all options available; for example (i) remain invested under the current retirement plan or account (if available), (ii) transfer assets to a new employer-sponsored retirement plan (if available), (iii) transfer assets to an IRA with a financial institution, or (iv) withdraw assets directly which would be subject to federal and applicable state and local taxes and possibly subject to the IRS penalty of 10% depending upon the age of the individual.

### **Termination & Refunds**

We charge our advisory fees quarterly in arrears. If you wish to terminate our services, you need to contact us in writing and state that you wish to cancel the advisory agreement. Upon receipt of your letter of termination, we will proceed to close out your account and charge you a pro-rata advisory fee(s) for services rendered up to the point of termination.

### **Commissionable Securities Sales**

In order to sell securities for a commission, our advisors are registered representatives of Royal Alliance Associates, Inc., member FINRA/SIPC. In this capacity, our advisors may sell securities to clients and receive compensation in the form of commissions and 12b-1 fees or trails. However, such compensation will not be received in connection with investments made in SEI accounts that we provide ongoing asset management services for. The transaction charges range from \$0 to \$35 per transaction plus a fee of \$0.05 per share for individual equity securities. Our firm does not receive any portion of these transaction charges.

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

We do not charge performance fees to our clients (fees based on a share of capital gains on or capital appreciation of the assets of a client).

### **Item 7. Types of Clients and Account Requirements**

We have the following types of clients:

- Individuals;
- High Net-Worth Individuals; and
- Pension and Profit-Sharing Plans.

We require a minimum household balance of \$200,000 for our asset management service. Generally, this minimum balance requirement is not negotiable and would be required throughout the course of the client's relationship with our firm. We do make exceptions for smaller accounts that belong to a family member of an existing client. We also permit households to maintain accounts that have dropped below this level, unless the account balance is below the threshold due to withdrawals other than retirement account distributions or market actions.

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

The following outlines the types of investment strategies and methods of analysis that will be used in managing your account. It is important to keep in mind that there is no specific approach to investing that guarantees success or positive returns; investing in securities involves risk of loss that clients should be prepared to bear.

We take a top down approach by evaluating global economies and capital markets. We then try to take a closer look at sectors and industries to see where we can find a competitive edge with the goal to reduce portfolio risk. We also take a broad look at assets classes and then try to determine which asset classes we believe may outperform/underperform under current economy/financial conditions/interest rates, etc. We lastly take a look at the client's investment objectives (liquidity, investment time-frame, client risk tolerance and income demand) and financial goals to determine an appropriate asset allocation.

We do not engage in active or short-term trading when managing accounts. Our goal is to construct a portfolio using an appropriate mix of investments consistent with your investment objective, and then monitor the account. Accounts that select an SEI asset allocation model are typically set up so that SEI will rebalance the accounts as necessary when the percentages of certain holdings exceed or fall below target allocations. Our firm will make rebalancing recommendations to the client for accounts that do not select an SEI asset allocation model.

Our goal is to take a comprehensive financial planning approach that encompasses investments, income taxes, retirement income, insurance and protection, and estate planning. We start by gathering the essential data; we then try to establish goals and objectives with the client. We attempt to match the client's goals; risk tolerance and cash flow needs with a suitable investment allocation. Through our regular meetings, we will continually monitor the client's objectives and adjust the portfolio based on any changes that may take place.

We generally use the following types of investment vehicles within asset management accounts: mutual funds (including asset allocation funds, index funds, international funds, emerging market funds, real estate funds, and high yield bond funds), individual stocks and bonds. The particular investments selected for your account will depend upon your investment objective, level of risk tolerance, sensitivity to taxes, and other factors.

There are risks associated with investing in securities. The following highlights some of the risks associated with the types of investments that may be purchased for your account:



- Investing in international markets presents additional risks including currency fluctuations, the potential for diplomatic and political instability, regulatory and liquidity risks and foreign taxation among others. The risks of foreign investing are generally greater in emerging markets.
- High yield bonds carry greater risks than bonds rated as investment grade. For example, they are issued by organizations that do not qualify for an investment grade rating by one of the rating agencies because of the potential for higher default by the issuer. Another risk is that further financial difficulties by the issuer may result in a decrease in the market value, and this may make it impossible to liquidate the bond prior to maturity.

We generally recommend that clients invest at least 1% of their overall assets into a money market fund recommended by SEI. In most cases, this partial cash balance will be maintained in a money market account so that our firm may debit advisory fees for our services related to asset management service, as applicable.

We use a variety of sources of data to conduct our economic, investment and market analysis, such as financial newspapers and magazines, economic and market research materials prepared by others, conference calls hosted by mutual funds, corporate rating services, annual reports, prospectuses, and company press releases.

**Please note:** Investing in securities involves risk of loss that clients should be prepared to bear. While the stock market may increase and your account(s) could enjoy a gain, it is also possible that the stock market may decrease and your account(s) could suffer a loss. It is important that you understand the risks associated with investing in the stock market, are appropriately diversified in your investments, and ask us any questions you may have.

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

We are required to disclose whether there are legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management. We have determined that our firm and management have nothing to disclose under the aforementioned standard.

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

Our firm is in the business of providing investment advice as described above. However, as also noted in Item 5, our advisors are registered representatives of Royal Alliance Associates, Inc. In

this capacity our advisors can sell securities and receive normal and customary compensation in the form of commissions. In order to minimize the conflict of interest associated with these sales, such compensation will not be received in connection with investments in clients' SEI accounts over which we are providing ongoing management services. In addition, clients purchasing securities through such individuals in a registered representative capacity will receive disclosure documents (e.g., prospectus, brokerage account agreement) when conducting such transactions. For more information, please refer to Item 5 – Fees and Compensation. When acting as a registered representative of Royal Alliance on a brokerage account for a client, neither Chatterton nor its advisors are acting in a fiduciary capacity to the client.

Our firm's representatives may also be insurance agent licensed with the California Division of Insurance, in which they may offer advice and products on life insurance. A conflict of interest may arise as these commissionable insurance product sales may create an incentive to recommend products based on the compensation our firm may earn and may not necessarily be in the best interests of the client. In order to minimize this conflict of interest, our firm will place client interests ahead of its own interests and adhere to our firm's Code of Ethics as well as clearly explaining this conflict when recommending any such products to our clients.

Clients are under no obligation to purchase insurance products through our firm's representatives.

Through Chatterton Tax, a department of Chatterton & Associates, we offer tax preparation and/or tax analysis services (referred to as tax consulting services) to individuals. This is separate and distinct from the services described in this Brochure. While clients of Chatterton & Associates receiving asset management services may choose to use the services of Chatterton Tax, they are under no obligation to do so. Chatterton and Associates will refer clients to Chatterton Tax for tax consulting services to the extent the firm believes it is in the client's best interest. This is a conflict of interest. The Chatterton & Associates advisor does not receive any compensation for the referral or otherwise share in the fees charged for tax consulting services. However, the firm will benefit financially through increased revenue and will also receive introductions of potential asset management clients from Chatterton Tax.

Robert Chatterton is the owner of Planning You Can Trust ("PYCT"). PYCT is a marketing and business development services firm that assists in the creation of marketing materials for use by our firm, as well as makes calls on our behalf to clients and potential clients to make them aware of seminars and other events sponsored by our firm that may be of interest. PYCT is also a marketing tagline used to emphasize to our clients the importance of obtaining qualified tax and

estate planning guidance as part of their wealth management needs. In support of encouraging clients to obtain qualified tax and estate planning services when appropriate and in the client's best interest, clients are introduced specifically to two different business entities which are unrelated to each other: the Law Offices of James F. Roberts ("Roberts"), which is unrelated to our firm, and Chatterton Tax, a department of our firm.

While clients of our firm are not required to use Chatterton Tax or Roberts for their tax or estate planning needs, clients are encouraged to consider doing so in order to facilitate a fully-balanced approach to serving their needs. To the extent a client elects to use the services of Chatterton Tax or Roberts, and solely upon the approval of the client, certain relevant confidential information may be shared by our firm with Roberts.

Our firm does not receive any compensation from Roberts for the introduction of clients. Our firm may, however, receive introductions of potential clients from Roberts in the normal course of business. Clients should also be aware that our firm has an office sharing arrangement with Roberts. Specifically, Roberts pays rent to occupy space in our office building. These rates are either at or slightly below market rental rates, but are in no way contingent upon client introductions.

As stated above, PYCT is a marketing and business development services firm. In addition to providing services to Chatterton & Associates, PYCT also provides services to other firms, including financial planning, estate planning and tax preparation firms. Roberts may also receive such services from PYCT, but Roberts will pay for such services at normal and customary market rates for such services, and the decision to engage PYCT for services is in no way contingent upon client introductions to Chatterton & Associates.

Clients with assets under management valued at over \$500,000 through Chatterton & Associates may receive tiered amounts of \$1,000, \$2,000, or \$3,000 paid annually based upon the total client assets under management (described earlier) toward the cost of tax preparation and/or tax analysis services through Chatterton Tax. This service is provided as a courtesy, and may be altered or discontinued at our discretion.

If recommended by Chatterton & Associates, clients with funded asset management accounts will receive up to \$450 paid annually toward the cost of a trust review through the Law Offices of James F. Roberts ("Roberts"). Payment will be made by Chatterton & Associates to Roberts directly. This represents one hour of trust review, and the client is responsible for any additional costs incurred through Roberts. Chatterton & Associates will only make such recommendation if the client has not had his/her trust reviewed within the past year or the

client has experienced financial or life changes that warrant a review. Client should also be aware that at the conclusion of the review, Roberts will provide Chatterton & Associates with an update on the current status of client's estate plan, including a copy of the client's updated trust and/or information pertaining to the trust review. While the client is under no obligation to use the trust services of Roberts, Chatterton & Associates will only pay toward obtaining the trust review through Roberts. This service is provided as a courtesy and may be altered or discontinued at our discretion.

The relationships and cross marketing opportunities described above with Roberts presents conflicts of interest. Specifically, our firm could have an incentive to refer clients to Roberts for services in exchange for receiving introductions to new clients and continued rental payments, for example. Our firm also has a conflict in that Chatterton Tax is a department within our firm, and we have a financial incentive to recommend it. These conflicts of interest are addressed by making clients aware of the conflict through this disclosure. In addition, clients should be aware that we take our responsibilities to clients very seriously and will not recommend the services of either Chatterton Tax or Roberts to clients unless we believe it is in the client's best interest.

In addition to the activities previously described, Chatterton & Associates will occasionally engage in educational seminars, podcasts, events, and similar activities with the intention of providing additional information about laws, circumstances, opportunities, and risks that we believe may interest or edify our clients and prospective clients. As with any such presentations and events, there exists a conflict of interest or potential conflict of interest as we will be presenting our services as potential solutions to problems. Along with our own services we may choose to utilize outside experts, consultants, or similar such persons to present topics to our clients and prospective clients. In some circumstances these outside, third-party presenters may have their own line of business that addresses a related or unrelated aspect of the presented material. Although we choose these presenters based on our belief in their competence and integrity, we cannot make any authoritative guarantee or claim as to the ultimate accuracy of their information or the quality of their services. We will not—as fiduciaries in our dealings with clients and prospective clients—recommend or imply recommendation or endorsement of services or persons we do not believe to be trustworthy and reliable nor will we accept inducements or provide payment for referrals of clients or any similar quid pro quo type arrangement.

Despite our intention and efforts to avoid payment for referrals and refusal to accept payment to give referrals, the relationship between Chatterton & Associates and any third-party presenters could inadvertently or subconsciously result in the firm's feeling obligated to refer clients to a third party or the third-party feeling similarly obligated. We do not believe that this

potential conflict is any greater or more problematic than any other similar arrangement without overt presentations and services from these third parties (for example, referring a client to a friend who is a realtor to aid in finding a house presents a similar level of potential quid pro quo opportunities). Our employees are required to disclose such arrangements proactively and have any such arrangements that could reasonably impact impartiality or that become frequent or recurring to have such relationships disclosed, approved by the CCO, and evaluated periodically to ensure that the Code of Ethics are followed and the relationship remains appropriate.

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

We recognize that the personal investment transactions of members and employees of our firm demand the application of a high Code of Ethics and require that all such transactions be carried out in a way that does not endanger the interest of any client. At the same time, we believe that if investment goals are similar for clients and for members and employees of our firm, it is logical and even desirable that there be common ownership of some securities.

Therefore, in order to prevent conflicts of interest, we have in place a set of procedures (including a pre-clearing procedure) with respect to transactions effected by our members, officers and employees for their personal accounts. In order to monitor compliance with our personal trading policy, we have a quarterly securities transaction reporting system for all of our associates.

Furthermore, our firm has established a Code of Ethics which applies to all of our associated persons. An investment adviser is considered a fiduciary. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. We have a fiduciary duty to all clients. Our fiduciary duty is considered the core underlying principle for our Code of Ethics which also includes Insider Trading and Personal Securities Transactions Policies and Procedures. We require all of our advisors to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment or affiliation and at least annually thereafter, all advisors will sign an acknowledgement that they have read, understand, and agree to comply with our Code of Ethics. Our firm and advisors must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of our Code of Ethics. However, if a client or a potential client wishes to review our Code of Ethics in its entirety, a copy will be provided promptly upon request.

Related persons of our firm may buy or sell securities and other investments that are also recommended to clients. In order to minimize this conflict of interest, our related persons will

place client interests ahead of their own interests and adhere to our firm's Code of Ethics, a copy of which is available upon request.

Related persons of our firm may buy or sell securities for themselves at or about the same time they buy or sell the same securities for client accounts. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics, a copy of which is available upon request. Further, our related persons will refrain from buying or selling the same securities within 48 hours of buying or selling for our clients. If related persons' accounts are included in a block trade, our related persons will always trade personal accounts last.

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

We seek to recommend a custodian/broker who will hold your 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, these:

- Ability to maintain the confidentiality of trading intentions
- Timeliness of execution
- Timeliness and accuracy of trade confirmations
- Liquidity of the securities traded
- Willingness to commit capital
- Ability to place trades in difficult market environments
- Research services provided
- Ability to provide investment ideas
- Execution facilitation services provided
- Record keeping services provided
- Custody services provided
- Frequency and correction of trading errors
- Ability to access a variety of market venues
- Expertise as it relates to specific securities
- Financial condition
- Business reputation

In order to receive mutual fund asset allocation services with SEI, clients are required to select SEI as the custodian for the assets. While we believe that SEI has execution procedures that are designed to obtain the best execution possible, there can be no assurance that best execution can be obtained.

For clients conducting business through an SEI independent investment manager program, the choice of custodian and broker/dealer is the responsibility of SEI or the portfolio manager.

In cases where clients are requesting a purchase or an unsolicited sale of a previously held individual stock position, all such transactions are executed through Pershing LLC ("Pershing"). As previously described, our advisors are also registered representatives of Royal Alliance, a FINRA registered broker-dealer. In order to meet its FINRA supervisory obligations, Royal Alliance requires that all individual stock transactions that we conduct are processed through Royal Alliance's clearing relationships with Pershing. We believe that Pershing's blend of execution services, commission and transaction costs as well as professionalism will allow us to seek best execution and competitive prices.

Royal Alliance also makes certain research and brokerage services available at no additional cost to our firm. These services include research services obtained by Royal Alliance directly from independent research companies, as selected by our firm (within specific parameters). Research products and services provided by Royal Alliance to our firm may include research reports on recommendations or other information about, particular companies or industries; economic surveys, data and analyses; financial publications; portfolio evaluation services; financial database software and services; computerized news and pricing services; quotation equipment for use in running software used in investment decision-making; and other products or services that provide lawful and appropriate assistance by Royal Alliance to our firm in the performance of our investment decision-making responsibilities. The aforementioned research and brokerage services are used by our firm to manage accounts. Without this arrangement, our firm might be compelled to purchase the same or similar services at our own expense.

As a result of receiving these services for no additional cost, we may have an incentive to continue to use or expand the use of Royal Alliance's services. Our firm examined this potential conflict of interest when we chose to enter into the relationship with Royal Alliance and we have determined that the relationship is in the best interest of our firm's clients and satisfies our client obligations, including our duty to seek best execution.

In addition, Royal Alliance also makes available to our firm products and services that help manage and administer clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution, provide research, pricing information and other market data, facilitate payment of our fees from clients' accounts, and assist with back-office training and support functions, recordkeeping and client reporting.



SEI may provide varying annual budget for printing costs on seminars. Many of these services generally may be used to service all or some substantial number of our accounts, including accounts not maintained at Royal Alliance. While, as a fiduciary, our firm endeavors to act in our clients' best interests, our recommendation/requirement that clients maintain their assets in accounts at SEI may be based in part on the benefit to our firm of the availability of some of the foregoing products and services and other arrangements and not solely on the nature, cost, or quality of custody and brokerage services provided by SEI, which may create a potential conflict of interest.

We would have to obtain the aforementioned services and products for cash if we did not receive them from Royal Alliance and/or SEI. As a result of receiving such products and services for no cost, we may have an incentive to continue to place client trades through Pershing as required by Royal Alliance, or SEI. This interest conflicts with the clients' interest of obtaining the best execution available.

Therefore, we must determine in good faith, based on the best execution policy stated above that any transaction costs are reasonable in relation to the value of the services provided by such executing broker-dealers.

We may periodically receive reimbursements from SEI for marketing related expenses in order to assist us in marketing the advisory services offered by SEI. These marketing related activities may include, but are not necessarily limited to, client communications, brochures, seminars and other client events. This presents conflict of interest in that we have a financial incentive to recommend that you maintain your account with SEI. However, to the extent we recommend you use SEI for such services, it is because we believe that it is in your best interest to do so, based on the quality and pricing of the executions, benefits of an integrated platform, and other services provided by SEI.

We do not have discretionary authority in making the determination of the brokers with whom orders for the purchase or sale of securities are placed for execution, and the commission rates at which such securities transactions are effected. We routinely recommend that a client directs us to execute through a specified broker-dealer. Our firm recommends the use of Royal Alliance/SEI.

We may aggregate transactions for a client with other clients to improve the quality of execution. When transactions are aggregated, the actual prices applicable to the aggregated transactions will be averaged, and the client account will be deemed to have purchased or sold its proportionate share of the securities involved at the average price obtained. We may determine



not to aggregate transactions, for example based on the size of the trades, the number of client accounts, the timing of the trades, the liquidity of the securities, and the discretionary or non-discretionary nature of the trades. If we do not aggregate transactions, some clients purchasing securities around the same time may receive a less favorable price than other client. This means that the practice of not aggregating may cost clients more money.

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

We review all client accounts at least annually. The nature of these reviews is to learn whether clients' accounts are in line with their investment objectives, appropriately positioned based on market conditions, and investment policies, if applicable. Only our advisors will conduct reviews.

We may review client accounts more frequently than described above. Among the factors which may trigger an off-cycle review are major market or economic events, the client's life events, requests by the client, etc.

We do not provide written reports to clients, unless asked to do so. However, clients may have online access to certain reports, including performance, through SEI and other sources. Verbal reports to clients take place on at least an annual basis when we meet with clients who subscribe to our asset management service.

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

As a result of our relationship with Royal Alliance, certain of our firm's representatives receive production bonuses and other things of value such as free or reduced-cost attendance at Royal Alliance's national sales conference or top producer forums and events. Such compensation is based on overall business produced and/or on the amount of assets serviced. Thus, there is a financial incentive for us to recommend that you establish an SEI account so that we will be compensated. We take our responsibilities to clients very seriously and we will only recommend that clients hire us for management services if we believe it is appropriate and it's in the client's best interests.

As stated previously, our advisors are also registered representatives with Royal Alliance. Client should be aware that Royal alliance has provided our advisors with forgivable loans. The loans, which are considered significant, are intended to provide an incentive for the advisors to remain as registered representatives with Royal Alliance. To the extent that the advisors maintain a relationship with Royal Alliance for a period of five years, the loans will be forgiven by Royal Alliance. The receipt of these loans presents a conflict of interest in that our advisors have a

financial incentive to recommend that client engage with our firm and the advisor in order for the loans to be forgiven. However, to the extent we recommend that client establish or maintain an account with our firm and SEI, it is because we believe it is in the client's best interest to do so, based on the client's goals and objectives, and other services provided by Royal Alliance. We have processes in place to review managed accounts for suitability over the course of the advisory relationship.

We also receive an economic benefit from SEI of a reimbursement for marketing related expenses. Please see detailed discussion of the categories of marketing related expenses and potential conflicts of interest in Item 12 Brokerage Practices.

Within our firm we do engage in cross-business referrals from wealth to tax and from tax to wealth for those clients we believe could benefit from the services of other aspects of our firm (bookkeeping services, tax preparation services, wealth and investment management services, financial planning, etc.). Particularly, members of the tax team may be incentivized or compensated for referring tax clients to financial planning who subsequently become wealth clients. The compensation—in the form of a bonus—may be as high as 1% of the value of any transferred assets. This compensation is not provided by the client and does not impact the fee paid by the client in any direct manner.

These internal referrals represent a potential conflict of interest as our employees may be inclined to refer clients in order to receive compensation. To mitigate this conflict our Code of Ethics specifies that employees attest to this code at least annually. In addition, all financial advisors—by our internal policy, by their status as CFP Professionals, and their personal ethical standards—are required to act in a fiduciary capacity in dealing with their clients and prospective clients. As fiduciaries they must act in accordance with the best interest of the client and will neither accept a new client referred from the tax team, nor refer a client to the tax team for tax preparation or bookkeeping services, unless they believe it to be in the best interest of the client or prospective client.

#### **Item 15. Custody**

We do not have custody of client funds or securities. Custody for all assets is maintained at SEI, a qualified custodian. All of our clients receive at least quarterly account statements directly from their custodians. We encourage you to carefully review these statements upon receipt. If we decide to also send account statements to clients, such notice and account statements include a legend that recommends that the client compare the account statements received from the qualified custodian with those received from our firm.

We encourage our clients to raise any questions with us about the custody, safety or security of their assets.

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

Clients have the option of providing our firm with investment discretion on their behalf, pursuant to an executed investment advisory client agreement. By granting investment discretion, our firm is authorized to execute securities transactions, determine which securities are bought and sold, and the total amount to be bought and sold. Should clients grant our firm non-discretionary authority, our firm would be required to obtain the client's permission prior to effecting securities transactions. Limitations may be imposed by the client in the form of specific constraints on any of these areas of discretion with our firm's written acknowledgement.

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

We do not and will not accept the proxy authority to vote client securities. Clients will receive proxies or other solicitations directly from their custodian or a transfer agent. In the event that proxies are sent to our firm, we will forward them on to you and ask the party who sent them to mail them directly to you in the future. Clients may call, write or email us to discuss questions they may have about particular proxy votes or other solicitations.

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

We are required to provide clients with certain information or disclosures about our financial condition. We have no financial commitment that impairs our ability to meet contractual or fiduciary commitments to clients, we do not require the prepayment of more than \$1,200 in fees and six or more months in advance, we do not take custody of client funds or securities, and we have not been the subject of a bankruptcy petition.