

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

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March 20, 2023

This brochure provides information about the qualifications and business practices of Fairchild Financial Advisors, Inc. If you have any questions about the contents of this brochure, please contact us at (916) 351-9900 or [steve@fairchildfinancial.com](mailto:steve@fairchildfinancial.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 Fairchild Financial Advisors, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 165434.

## **Item 2     Material Changes**

This Item will be used to provide our clients with a summary of new and/or updated information. We will inform you of the revision(s) based on the nature of the updated information.

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.

- There have been no material changes since the last filing, dated March 30, 2022.

### **Item 3 Table of Contents**

<b><u>Item#</u></b>		<b><u>Page#</u></b>
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	10
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss	10
Item 9	Disciplinary Information	13
Item 10	Other Financial Industry Activities and Affiliations	13
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	15
Item 12	Brokerage Practices	15
Item 13	Review of Accounts	18
Item 14	Client Referrals and Other Compensation	19
Item 15	Custody	19
Item 16	Investment Discretion	19
Item 17	Voting Client Securities	20
Item 18	Financial Information	20

## **Item 4     Advisory Business**

Fairchild Financial Advisors, Inc. (hereafter "Fairchild Financial", "Fairchild", "FFA", "we", and "our") is a SEC-registered investment adviser with its principal place of business located in California. Fairchild Financial is owned by Steven Fairchild and has been operating as an Investment Advisory firm since January 2013.

Fairchild Financial offers the following services:

### **INDIVIDUAL PORTFOLIO MANAGEMENT**

Our firm provides continuous advice to clients regarding the investment of client funds based on the individual needs of the client. We conduct thorough discussions to understand the client's goals and objectives, based on the client's particular circumstances, and develop a personalized investment strategy. We then create and manage an investment portfolio based on that strategy. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we also review and discuss a client's prior investment history, as well as family composition and background.

We manage advisory accounts on a discretionary basis only. Account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

Once the client's portfolio has been established, we review the portfolio at least annually and if necessary, rebalance the portfolio, based on the client's individual needs.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include advice regarding the following securities:

- Exchange-listed securities
- Foreign issuers
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities
- Mutual fund shares
- United States governmental securities

Because some types of investments involve certain additional degrees of risk, they will only be recommended when consistent with the client's stated investment objectives, risk tolerance, liquidity and suitability.

## **ASSETMARK PROGRAM**

The program offers advisory management services to our clients through the AssetMark Platform (hereinafter, "AssetMark"). AssetMark is an unaffiliated registered investment adviser and sponsors an asset allocation system that offers model portfolios of mutual funds, exchange traded funds, separately managed accounts and wrap programs.

Our firm acts as an investment adviser to clients through AssetMark's platform. We provide the client with an asset allocation strategy developed through personal discussions in which goals and objectives based on the client's particular circumstances are established.

When consistent with a client's goals and objectives, we recommend the use of the AssetMark Platform. AssetMark has contracted with a number of institutional investment management firms ("Strategists") to create a variety of asset allocation models and has identified a broad range of no-load or load mutual funds, ETFs, or separate account managers for the Strategists to use in these models. In addition, Fairchild Financial is also a Strategist on the AssetMark Platform. The asset allocation programs are designed as a means for us to tailor the portfolio design services of the Strategists to the client's individual needs. We are not affiliated with AssetMark or any of the other Strategists that participate in the AssetMark program.

The Strategists monitor the performance of the mutual funds, ETFs, or separate account managers, in their model portfolios and will periodically adjust and rebalance the portfolio in accordance with their investment strategies and inform us of any changes in the model portfolio.

Clients should refer to the disclosure document (Part 2A of Form ADV or Appendix 1 of Form ADV) of AssetMark for detail on the advisory services and wrap program offered by AssetMark.

We assist the client in identifying a Strategist or multiple Strategists whose investment philosophy and model portfolio(s) most closely match the client's stated investment objectives and risk tolerances. Accounts are reviewed at least annually. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstance, or the market, political or economic environment.

The minimum investment required in the AssetMark Platform depends upon the Investment Solution chosen for a client's account and is generally \$25,000 for Mutual Fund and ETF Accounts and from \$100,000 to \$500,000 for Separately Managed Accounts, depending on the investment strategy selected for the account, as described in more detail in the AssetMark Platform Disclosure Brochure, Appendix 1. Accounts below the stated minimums may be accepted on an individual basis at the discretion of the Platform sponsor.

## **ADDITIONAL BUSINESS ACTIVITIES**

Management and certain associated persons of Fairchild Financial are separately licensed as Registered Representatives and Investment Adviser Representatives offering securities and investment advisory services through LPL Financial, Member

FINRA/SIPC. Clients will receive LPL's separate Disclosure Brochure (Form ADV Part 2) at the time such services are offered along with any other disclosure documents required by law.

Fairchild Financial and LPL are separate and unrelated companies. Fairchild Financial does not solicit on behalf of LPL and LPL does not offer services through our firm. Please refer to Item 10, "Other Financial Industry Activities and Affiliations", for information regarding other business activities of the firm and its management personnel.

Clients should be aware that this business activity creates a conflict of interest between Fairchild Financial, its associated persons and its clients. We handle this conflict by requiring all associated persons to disclose to a client, in writing, before entering into or renewing an advisory agreement with that client, any material conflict of interest relating to our firm, its representatives or any of its employees, which could be reasonably expected to impair the rendering of unbiased and objective advice including:

- 1) Compensation arrangements connected with advisory services to clients which are in addition to compensation from such clients for such services; and
- (2) Charging a client an advisory fee for rendering advice without disclosing that a commission for executing securities transactions pursuant to such advice will be received by the adviser, its representatives or its employees, or that such advisory fee is being reduced by the amount of the commission earned by the adviser, its representatives or employees for the sale of securities to the client.

### **PROFESSIONAL ALLIANCES**

To better serve our clients Fairchild Financial has developed working professional alliances with tax professionals, attorneys, and real estate professionals. These professional alliances are, when appropriate, recommended to clients to help create an end-to-end client experience that can address all of a client's financial needs. Some of these professional alliances operate their separate practices in our offices. Fairchild Financial does not receive any compensation for making such referrals and no client is obligated to use the services of these professional alliances.

Fairchild Financial does not provide tax, legal or real estate related services. These services are provided through separate independent companies.

### **WRAP FEE PROGRAMS**

Fairchild Financial acts as a Strategist (manager) under a wrap program sponsored by AssetMark. We manage all accounts using the same approach whether under a wrap fee or separately managed account. Account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations. Clients participating in an AssetMark wrap

program will receive a separate Form ADV Part 2 and Appendix 1 (disclosure brochures and wrap program brochure) from AssetMark prior to entering into these arrangements.

## ASSETS UNDER MANAGEMENT

As of March 15, 2023, Fairchild Financial was actively managing \$108,100,701 in client assets on a discretionary basis. As disclosed above, we do not manage client assets on a non-discretionary basis.

## Item 5 Fees and Compensation

### INDIVIDUAL PORTFOLIO MANAGEMENT SERVICES FEES

Fairchild Financial's annual advisor fee for Portfolio Management Services is based upon a percentage of assets under management. The maximum annual fee charged is 1.0% with breakpoints starting at \$1,000,000 under management:

<u>Asset Tier</u>	<u>Max Tier</u>	<u>Annual Fee%</u>
First \$1,000,000	\$1,000,000	1.00%
Next \$1,000,000	\$2,000,000	0.80%
Over \$2,000,000	\$100,000,000	0.70%

Our advisory fee does not include the AssetMark Platform Fee, any Third-Party Strategist or Manager Fee, as applicable, and custody fees. The exact percentage-based fee can be found in AssetMark's Client Billing Authorization. Clients should also refer to AssetMark's Platform Disclosure Brochure for complete fee details.

Our fees are billed quarterly, in advance, at the beginning of each calendar quarter based on the preceding end of quarter market value (or fair market value in the absence of market value). Fees are debited from the account in accordance with the client authorization in the AssetMark Client Services Agreement.

A minimum of \$25,000 of assets under management is required for this service. This account size is negotiable under certain circumstances. Related client accounts are linked for the purposes of determining the annualized fee.

**Limited Negotiability of Advisory Fees:** Although Fairchild has established the aforementioned advisor fee, we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, account composition, reports, among other factors. The specific annual fee schedule is identified in the AssetMark Client Billing Authorization.

We may group certain related client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee.

Discounts, not generally available to our advisory clients, are provided to family members and friends of associated persons of our firm.

### **ASSETMARK PROGRAM FEES**

Accounts on the AssetMark Platform are assessed a total Account Fee. This Account Fee includes Fairchild Financial's advisory fee plus the fees for utilizing the AssetMark Platform (together the "Advisory Fee"). Additionally, the Account Fee also includes fees payable to any third-party Discretionary Manager. Fees and compensation for using the AssetMark Platform, including Discretionary Manager fee schedules, are provided in the AssetMark Platform Disclosure Brochure, Appendix 1. After the AssetMark Platform Fee and any third-party Discretionary Manager fees are deducted from the Advisory Fee, the resulting net fees are paid to Fairchild Financial.

Client fees under this program are payable quarterly, in advance, based on assets under management. Clients may terminate AssetMark accounts at any time and receive a full pro-rata refund of any unearned fees.

Clients should note that program fees are charged as part of a wrap fee arrangement. In a wrap fee arrangement, clients pay a single fee for advisory, brokerage and custodial services. Client's portfolio transactions will be executed without commission charge in a wrap fee arrangement. In evaluating such an arrangement, the client should also consider that, depending upon the level of the wrap fee charged by the broker dealer, the amount of portfolio activity in the client's account, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately.

AssetMark sponsor disclosure documents (Form ADV Part 2A and/or Form ADV Part 2A, Appendix 1 "wrap program") will further describe the specific fees charged within the program, minimum account requirements, billing arrangements and service termination provisions. AssetMark does not control the billing features of any Third-Party Manager Programs. AssetMark and Third-Party Manager fees are non-negotiable.

### **OTHER FEES AND COMPENSATION**

Management and associated persons of our firm are separately licensed as registered representatives of LPL Financial (LPL), a broker dealer and investment adviser. In their capacity as registered representatives of LPL, certain Dually Registered Persons may earn commissions for the sale of securities or investment products that they recommend for brokerage clients. They do not earn commissions on the sale of securities or investment products recommended or purchased in advisory accounts through Fairchild Financial Advisors. Clients have the option of purchasing many of the securities and investment products we make available through another broker-dealer or investment adviser. However, when purchasing these securities and investment products away



from Fairchild Financial, they will not receive the benefit of the advice and other services we provide.

This presents a conflict of interest to the extent that these individuals recommend that a client invest in a security which results in a commission being paid to the individuals. Clients are not under any obligation to engage these individuals when considering the implementation of recommendations. The implementation of any or all recommendations is solely at the discretion of the client.

LPL does not offer investment management or brokerage services through Fairchild Financial – and vice versa. Our firm and LPL are not affiliated. Please refer to Item 10, "Other Financial Industry Activities and Affiliations", for information regarding other business activities of the firm and its management personnel.

### **INSURANCE COMMISSIONS**

Steven Fairchild, Owner and President, is licensed as an insurance agent or broker of various independent insurance agencies. In his separate capacity, he implements insurance-related transactions for our clients. In so doing, he will earn separate compensation in the form of commissions.

Julie Hood, Chief Compliance Officer, is licensed as an insurance agent, however, does not practice nor solicit clients at this time.

While these individuals endeavor at all times to put the interest of the clients first as part of Fairchild Financial's fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest and may affect the judgment of these individuals when making recommendations. Clients, however, are not under any obligation to engage these individuals when considering the implementation of recommendations.

### **GENERAL INFORMATION**

***Termination of the Advisory Relationship:*** A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. As disclosed above, certain fees are paid in advance of services provided. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. In calculating a client's reimbursement of fees, we will pro rate the reimbursement according to the number of days remaining in the billing period.

***Mutual Fund Fees:*** All fees paid to Fairchild for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives.

Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

***Additional Fees and Expenses:*** In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

***ERISA Accounts:*** Fairchild is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include, among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, Fairchild only charges fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees.

***Advisory Fees in General:*** Clients should note that lower fees for comparable services may be available from other sources.

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

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

Fairchild Financial Advisors, Inc. does not charge performance-based fees.

## **Item 7 Types of Clients**

Fairchild provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals

As previously disclosed in Item 5, our firm has established certain initial minimum account requirements, based on the nature of the service(s) being provided. For a more detailed understanding of those requirements, please review the disclosures provided in each applicable service.

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

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

## METHODS OF ANALYSIS

**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).

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.

**Technical Analysis.** We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly managed or financially unsound company may under-perform regardless of market movement.

**Quantitative Analysis.** We use mathematical models in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share and predict changes to that data.

A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.

**Qualitative Analysis.** We subjectively evaluate non-quantifiable factors such as quality of management, labor relations, and strength of research and development factors not readily subject to measurement, and predict changes to share price based on that data.

A risk in using qualitative analysis is that our subjective judgment may prove incorrect.

**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.

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, if not corrected, will no longer be appropriate for the client's goals.

**Risks for all forms of analysis.** Our securities analysis methods rely on the assumption that the companies whose securities we recommend, the rating agencies that review these securities, and other publicly available sources of information about these securities, are providing accurate 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 or misleading information.

**Risk of Loss.** Investing in securities has inherent risks including the loss of principal. We ask that you work with us to help us understand your tolerance for risk.

**Charting.** In this type of technical analysis, we review charts of market and security activity in an attempt to identify when the market is moving up or down and to predict how long the trend may last and when that trend might reverse.

**Cyclical Analysis.** In this type of technical analysis, we measure the movements of a particular stock against the overall market in an attempt to predict the price movement of the security.

**Mutual Fund and/or ETF Analysis.** We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that 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 another fund(s) in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

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.

**Third-Party Money Manager Analysis.** We examine the experience, expertise, investment philosophies, and past performance of independent third-party investment managers in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We monitor the manager's underlying holdings, strategies, concentrations and leverage as part of our overall periodic risk assessment. Additionally, as part of our due-diligence process, we survey the manager's compliance and business enterprise risks.

A risk of investing with a third-party manager who has been successful in the past is that he/she may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a third-party manager's portfolio, there is also a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as we do not control the manager's daily business and compliance operations, we may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

## **INVESTMENT STRATEGIES**

We use the following strategies in managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

**Long-term purchases.** We purchase securities with the idea of holding them in the

client's account for a year or longer. Typically, we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

**Short-term purchases.** When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

A short-term purchase strategy poses risks should the anticipated price swing not materialize; we are then left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss.

In addition, this strategy involves more frequent trading than does a longer-term strategy and will result in a less favorable tax treatment of short-term capital gains.

## **Item 9     Disciplinary Information**

We are required to disclose any 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.

Our firm and our management personnel have no reportable disciplinary events to disclose.

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

### **BROKER - DEALER & OTHER INVESTMENT ADVISER REGISTRATIONS**

As previously disclosed associated persons of our firm may be separately licensed as registered representatives and/or investment advisory representatives of LPL Financial (LPL), an unaffiliated, independently owned and operated, FINRA member broker-dealer. These individuals, in their separate capacity, can effect securities transactions and/or render investment advice for which they will receive separate, yet customary compensation. Associated persons may only offer these services in jurisdictions in which they are properly licensed or where an exemption to registration exists. Fairchild assures that our representatives ensure that other advisers are properly licensed or registered as an investment adviser before selecting such adviser(s).

While management and these individuals endeavor at all times to put the interest of the client first as part of our fiduciary duty, clients should be aware that the receipt of

additional compensation itself creates a conflict of interest and may affect the judgment of these individuals when making recommendations. This arrangement creates a conflict of interest please see “How We Handle Conflicts of Interest” below and refer to Item 12 for a discussion of the benefits Fairchild Financial receives from LPL Financial and the conflicts of interest associated with receipt of such benefits.

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

## **INSURANCE LICENSES**

As identified above under Item 5, management personnel and associated persons of our firm, in their individual capacities, are agents/brokers for various insurance companies. As such, these individuals are able to receive separate, yet customary commission compensation resulting from implementing product transactions on behalf of clients.

Clients, however, are not under any obligation to engage these individuals when considering the implementation of recommendations. The implementation of any or all recommendations is solely at the discretion of the client. Our associated persons will only offer these services in jurisdictions in which they are properly licensed. This arrangement creates a conflict of interest please see “How We Handle Conflicts of Interest” below.

## **HOW WE HANDLE ALL CONFLICTS OF INTERESTS**

Clients should be aware that the receipt of additional compensation by Fairchild Financial Advisors, Inc. and its management persons or employees creates a conflict of interest that may impair the objectivity of our firm and these individuals when making recommendations. Fairchild Financial Advisors, Inc. endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment adviser; we take the following steps to address this conflict:

- we disclose to clients the existence of all material conflicts of interest, including the potential for our firm and our employees to earn compensation from clients in addition to our firm's fees;
- we disclose to clients that they are not obligated to purchase recommended investment products from our employees or affiliated companies;
- we collect, maintain and document accurate, complete and relevant client background information, including the client’s financial goals, objectives and risk tolerance;
- our firm's management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client’s needs and circumstances;

- we require that our employees seek prior approval of any outside employment activity so that we properly address any conflicts of interests related to such activities;
- we periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm; and
- we educate our employees regarding the responsibilities of a fiduciary, including the need to have a reasonable and independent basis for the investment advice provided to clients.

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

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

Fairchild Financial and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

Fairchild Financial Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information shall not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. To request a copy, send an email to [steve@fairchildfinancial.com](mailto:steve@fairchildfinancial.com), or call our office at (916) 351-9900.

## **Item 12 Brokerage Practices**

Fairchild Financial will endeavor to select those brokers or dealers which will provide the best services at the lowest commission rates possible. The reasonableness of commissions is based on the broker's stability, reputation, ability to provide professional services, competitive commission rates and prices, research, trading platform, and other services which will help Fairchild Financial in providing investment management services to clients. Fairchild Financial may, therefore recommend (or use) the use of a

broker who provides useful research and securities transaction services even though a lower commission may be charged by a broker who offers no research services and minimal securities transaction assistance. Research services may be useful in servicing all our clients, and not all of such research may be useful for the account for which the particular transaction was effected.

At this time, Fairchild Financial does not have any soft-dollar arrangements and does not receive any soft-dollar benefits.

For discretionary clients, Fairchild Financial requires these clients to provide us with written authority to determine the broker dealer to use and the commission costs that will be charged to these clients for these transactions.

These clients must include any limitations on this discretionary authority in this written authority statement. Clients may change/amend these limitations as required. Such amendments must be provided to us in writing.

### **LPL FINANCIAL**

As disclosed in Item 10, the management and employees of Fairchild Financial Advisors, Inc. may recommend that clients establish a brokerage account with LPL Financial to maintain custody of clients' assets and to effect trades for their accounts. LPL Financial generally is compensated by clients through commissions, trails, or other transaction-based fees for trades that are executed through LPL Financial or that settle into LPL Financial accounts. For IRA accounts, LPL Financial generally charges account maintenance fees. In addition, LPL Financial also charges clients miscellaneous fees and charges, such as account transfer fees.

While LPL Financial does not participate in, or influence the formulation of, the investment advice Fairchild Financial provides, certain supervised persons are Dually Registered Persons. Dually Registered Persons are restricted by certain FINRA rules and policies from maintaining client accounts at another custodian or executing client transactions in such client accounts through a broker-dealer or custodian not approved by LPL Financial. As a result, the use of other trading platforms must be approved not only by Fairchild Financial, but also by LPL Financial.

Clients should understand that not all investment advisers recommend that clients custody their accounts and trade through specific broker-dealers.

Clients should also understand that LPL Financial is responsible under FINRA rules for supervising certain business activities of Fairchild Financial and its Dually Registered Persons, that are conducted through broker-dealers and custodians other than LPL Financial. LPL Financial charges a fee for its oversight of activities conducted through these other broker-dealers and custodians. This arrangement presents a conflict of interest because Fairchild Financial has a financial incentive to recommend that you maintain your account with LPL Financial rather than with another broker-dealer or custodian to avoid incurring the oversight fee.

*Benefits Received by Fairchild Financial Personnel*



LPL Financial makes available various products and services designed to assist in managing and administering client accounts. Many of these products and services may be used to service all or a substantial number of accounts, including accounts not held with LPL Financial. These include software and other technology that provide access to research, pricing information and other market data, and assist with back-office functions, recordkeeping and client reporting.

LPL Financial also makes available other services intended to help Fairchild Financial manage and further develop its business. These support services and/or products may be provided without cost, at a discount, and/or at a negotiated rate, and include practice management-related publications; consulting services; attendance at conferences and seminars, meetings, and other educational events; marketing support; and other products and services in furtherance of the operation and development of its investment advisory business.

Where such services are provided by a third-party vendor, LPL Financial will either make a payment to cover the cost of such services, reimburse Fairchild Financial for the cost associated with the services, or pay the third-party vendor directly on behalf of Fairchild Financial.

The products and services described above are provided to Fairchild Financial as part of its overall relationship with LPL Financial.

Fairchild Financial attempts to mitigate these conflicts of interest by evaluating and recommending that clients use LPL Financial's services based on the benefits that such services provide to our clients. However, clients should be aware of this conflict and take it into consideration in deciding whether to custody their assets in a brokerage account at LPL Financial.

## **CUSTODIANS**

Fairchild Financial Advisors, Inc. utilizes one or more of the following firms for our clients' custody and brokerage services which include custody of securities, trade execution, clearance and settlement of transactions:

- **TD Ameritrade Institutional.** TD Ameritrade Institutional ("TD Ameritrade") is a division of TD Ameritrade, Inc., & TD Ameritrade Clearing, Inc., members FINRA/SIPC.
- **Pershing Advisor Solutions.** Pershing Advisor Solutions LLC ("PAS"), member FINRA/SIPC, is a wholly owned subsidiary of The Bank of New York Mellon Corporation (BNY Mellon).
- **AssetMark Trust Company.** AssetMark Trust Company is an affiliate of AssetMark Inc., an SEC registered Investment Adviser.

Fairchild Financial Advisors, Inc. receives some benefits from these custodians through our participation in their institutional programs. There is no direct link between our firm's participation in these programs and the investment advice we give to our clients,

although we receive economic benefits through our participation in the programs that are typically not available to retail investors.

These benefits include the following products and services (provided without cost or at a discount): duplicate client statements and confirmations; research related products and tools; access to a trading desk serving adviser participants; the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; and access to mutual funds with no transaction fees.

Some of the products and services made available by custodians through their programs may benefit Fairchild Financial Advisors, Inc. but may not benefit our client accounts directly. These products or services assist us in managing and administering client accounts. Other services made available are intended to help us manage and further develop our business enterprise. The benefits received by Fairchild Financial Advisors, Inc. or our personnel through participation in the programs do not depend on the amount of brokerage transactions directed to the custodian. Clients should be aware, however, that the receipt of economic benefits by Fairchild Financial Advisors, Inc. or our related persons in and of itself creates a potential conflict of interest and may indirectly influence our recommendation of a custodian for custody and brokerage services.

Fairchild Financial Advisors, Inc.'s receipt of these services does not diminish our duty to act in the best interests of our clients, including seeking best execution of trades for client accounts.

### **ORDER AGGREGATION OR BLOCK TRADING**

Financial Advisors, Inc. does not generally block client trades and, therefore, we implement client transactions separately for each account. Consequently, certain client trades may be executed before others, at a different price and/or commission rate. Additionally, our clients may not receive volume discounts available to advisers who block client trades.

## **Item 13    Review of Accounts**

### **INDIVIDUAL PORTFOLIO MANAGEMENT**

**REVIEWS:** While the underlying securities within Individual Portfolio Management Services accounts (including AssetMark Platform accounts) are continually monitored, these accounts are reviewed at least annually. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment. These accounts are reviewed by Steven Fairchild.

**REPORTS:** Clients receive periodic custodial account statements (not less frequently than quarterly) and confirmations of transactions directly from their account Custodian.

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

We do not receive any compensation, nor do we pay compensation to any firm or individual in connection with our services.

With respect to AssetMark clients, we may, subject to negotiation with AssetMark, receive certain allowances, reimbursements or services from AssetMark in connection with our investment advisory services to our clients, as described below and in the Appendix 1 of the AssetMark Platform Disclosure Brochure.

AssetMark may bear the cost of airfare for firms such as Fairchild Financial to attend AssetMark's annual conference or to conduct due diligence visits to AssetMark's offices. In addition, AssetMark may, from time to time, contribute to the costs incurred by participating firms such as Fairchild Financial in connection with conferences or other client events conducted by such firms and their representatives.

## **Item 15 Custody**

Our firm does not have actual or constructive custody of client funds and/or securities.

With respect to the direct debiting of advisory fees, clients instruct AssetMark to deduct all Platform fees from the client's custodial account on a quarterly basis. AssetMark then remits the portion of the Platform fee that is our firm's advisory fee to Fairchild Financial.

The client receives quarterly statements from their custodian showing all transactions within the account during the reporting period. Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there is an error in their statement.

## **Item 16 Investment Discretion**

Clients hire us to provide discretionary asset management services. Under this authority, we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

- determine the securities to buy or sell; and/or
- determine the amount of the securities to buy or sell; and/or
- determine the Strategist(s) to use

Clients give us discretionary authority when they sign a discretionary agreement with our firm and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

## **Item 17    Voting Client Securities**

As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, although our firm provides investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Clients are responsible for instructing each custodian of the assets to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

We do not offer any consulting assistance regarding proxy issues to clients.

## **Item 18    Financial Information**

As an advisory firm, we are required to disclose any financial condition that is reasonably likely to impair our ability to meet our contractual obligations. Fairchild Financial has no such financial circumstances to report.

Under no circumstances do we require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

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