

**Firm Brochure ADV Part 2A**

The financial advisors of Red Mountain Financial Partners are registered representatives with securities offered through LPL Financial, member FINRA/SIPC.

**Item 1 – Cover Page**

Registered As: **Red Mountain Financial Partners, LLC**



**RED MOUNTAIN**  
**FINANCIAL PARTNERS**

Doing Business As: **Red Mountain Financial Partners**

Registered Investment Adviser  
555 Rivergate Lane – Suite B1-107  
Durango, CO 81301  
(970) 259-1313 – phone  
(970) 259-1614 – fax

**March 2, 2023**

**[www.redmountainfinancialpartners.com](http://www.redmountainfinancialpartners.com)**

**NOTICE TO PROSPECTIVE CLIENTS: READ THIS DISCLOSURE BROCHURE IN ITS ENTIRETY**

All the material within this Brochure must be reviewed by those who are considering becoming a client of our firm. This Brochure provides information about the qualifications and business practices of Red Mountain Financial Partners. If you have any questions about the contents of this Brochure, please contact us at (970) 259-1313. In accordance with federal and state regulations, this Brochure is on file with the appropriate securities regulatory authorities as required. The information provided within this Brochure is not to be construed as an endorsement or recommendation by state securities authorities in any jurisdiction within the United States, or by the United States Securities and Exchange Commission. 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 of a registered investment adviser does not imply any level of skill or training. Additional information about Red Mountain Financial Partners is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The firm's Central Registration Depository (CRD) number is: 174672.

## **Item 2 – Material Changes**

The following material changes have occurred since the last amendment dated December 20, 2021:

- Item 4: Advisory Business has been amended to reflect current assets under management and to remove a redundant description of financial planning services.
- Item 5: Fees has been amended to remove reference to quarterly invoices for direct fee deduction as the practice is no longer required.

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#### **Item 4 – Advisory Business**

The firm was established in December of 2014 as an LLC to offer securities and advisory services through LPL Financial, a member Financial Regulatory Authority ("FINRA") and the Securities Investors Protection Corporation ("SIPC") as well as an SEC registered investment adviser. The firm continues to offer securities through LPL Financial and was registered as an independent state level investment adviser in March of 2015.

The President for Red Mountain Financial Partners is Michael Warren, CMT. He has over 20 years of experience in the financial services industry and holds the Chartered Market Technician (CMT) professional designation. The Chartered Market Technician (CMT) Program requires candidates to demonstrate proficiency in a broad range of topics in the field of Technical Analysis. Mr. Warren also received his Bachelor of Science in Finance from the University of Montana.

Cara Flynt is Chief compliance Officer.

Red Mountain Financial Partners provides fee based investment advisory services for compensation primarily to high-net worth individuals as well as individuals and corporations. Portfolio management services include, but are not limited to, the following:

- Investment Strategy
- Asset Allocation
- Risk Tolerance
- Personal investment policy
- Asset Selection
- Regular Portfolio Monitoring

Investment adviser representatives (IAR) are restricted to providing services and charging fees in accordance with the descriptions detailed in this document and the account agreement. However, the exact service and fees charged to a particular client are dependent upon the IAR that is working with the client. Investment adviser representatives are instructed to consider the individual needs of each client when recommending an advisory platform. Investment strategies and recommendations are tailored to the individual needs of each client. Any and all material conflicts of interest are disclosed herein.

The investment adviser representatives associated with Red Mountain Financial Partners are appropriately licensed, and authorized to provide advisory services on behalf of Red Mountain Financial Partners. Investment Adviser Representatives associated with Red Mountain Financial Partners are also registered representatives of LPL Financial. Any securities transactions shall be directed to LPL Financial for execution. Red Mountain Financial Partners and LPL Financial are not affiliated legal entities.

The individuals that are licensed as registered representatives of LPL Financial are subject to regulations that restrict them from conducting securities transactions away from LPL Financial without written authorization from LPL Financial. Clients should, therefore, be aware that for accounts where LPL Financial serves as the custodian, Red Mountain Financial Partners is limited to offering services and investment vehicles that are approved by LPL Financial, and may be prohibited from offering services and investment vehicles that may be available through other broker/dealers and custodians.

Any and all material conflicts of interest are disclosed herein.

### **Asset Management**

Red Mountain Financial Partners, through its investment advisor representatives, provides ongoing investment advice and management on assets in the client's custodial accounts. Advice may be discretionary or non-discretionary as indicated in the client account agreement. More specific account information and acknowledgements are further detailed on the account application.

The advice is tailored to the individual needs of the client based on the investment objective chosen by the client in order to help assist clients in attempting to meet their financial goals. Accounts are reviewed on a regular basis and rebalanced as necessary according to each client's investment profile.

### **Financial Planning Services**

As part of our financial planning services, Red Mountain Financial Partners, through its investment advisor representatives, may provide personal financial planning tailored to the individual needs of the client. A particular client's financial plan will include the relevant types of planning specific to their needs and objectives such as:

- **Retirement** – planning an investment strategy with the objective of providing inflation-adjusted income for life.
- **College / Education** – planning to pay the future college / education expenses of a child or grandchild.
- **Major Purchase** – Evaluation of the pros and cons of home ownership verse renting as well as buying or leasing a car, for example.
- **Divorce** – planning for the financial impact of divorce such as change in income, retirement benefits and tax considerations.
- **Insurance Needs** – planning for the financial needs of survivors to satisfy such financial obligations as housing, dependent child care and spousal arrangements as well as education.
- **Final Expenses** – planning to leave assets to cover final expenses such as funeral, debts and potential business continuity.
- **Estate Planning** – planning that focuses on the most efficient and tax friendly option to pass on an estate to a spouse, other family members or a charity.
- **Cash Flow/ Budget Planning** – planning to manage expenses against current and projected income.

- **Wealth Accumulation** – planning to build wealth within a portfolio that takes into consideration risk tolerance and time horizon.
- **Business Succession** – planning for the continuation of a business in a smooth a transition as possible with the use of buy-sell agreements, key-man insurance and engaging independent legal counsel as needed.
- **Investment Planning** – planning an investment strategy consistent with a particular objectives, time horizons and risk tolerances.

The services take into account information collected from the client such as financial status, investment objectives and tax status, among other data. Fees for such services are negotiable and detailed in the client agreement.

The financial plan may include generic recommendations as of general types of investment products or specific securities which are appropriate for the Client to purchase given his/her financial situation and objectives. The Client retains the right to execute securities transactions through the broker/dealer of their choice. However, if the Client desires to purchase securities or advisory services in order to implement his/her financial plan, Red Mountain Financial Partners makes a variety of products and services available in their respective capacity:

- Financial Planning services are provided as an investment adviser representative of Red Mountain Financial Partners for an agreed upon dollar amount.
- Asset Management services are provided as an investment adviser representative of Red Mountain Financial Partners for a fee based on a percentage of assets under management.
- Securities transactions are provided as a registered representative of LPL Financial for a commission.

A conflict exists between the interests of the investment adviser representatives and the interests of the client. For example, IARs have a financial incentive to recommend that a financial plan be implemented using a certain product or service over another product or service based on the different compensation structures; however, investment adviser representatives have a fiduciary duty to act in the best interests of a client. Depending on the type of account that is used to implement a financial plan, such additional fees may apply:

- transaction charges; confirmation charges; small account fees;
- mutual fund 12b-1 fees payable to LPL Financial;
- retirement plan fees; fees in connection with an insured deposit account program;

The IAR may receive additional cash or non-cash compensation from advisory product sponsors. Such compensation may not be tied to the sales of any products. Compensation may include such items as gifts valued at less than \$100 annually, an occasional dinner or ticket to a sporting event, or reimbursement in connection with educational meetings or marketing or advertising initiatives. This additional compensation is a conflict of interest if it is tied to the

sales of particular products; however, investment adviser representatives have a fiduciary duty to act in the best interests of their clients.

As of December 20, 2022, the total assets under management = \$121,089,004 managed on a discretionary basis, and \$0 managed on a non-discretionary basis.

### **Hourly Consulting Services**

Consulting services are similar to financial planning and available to all clients but tend to be more specific to a particular area of interest, less comprehensive and on a straight hourly basis verses a flat fee based on an anticipated number of hours.

Red Mountain Financial Partners, through its investment advisor representatives, offers consulting services including, as selected by the client in the consulting agreement, advice regarding investment planning, retirement planning, estate planning, cash flow/budget planning, business planning, education planning, and personal financial planning. The services take into account information collected from the client such as financial status, investment objectives and tax status, among other data. The investment advisor representatives may or may not deliver to the client a written analysis or report as part of the services. The investment advisor representatives tailor the hourly consulting services to the individual needs of the client based on the investment objective chosen by the client. The engagement terminates upon final consultation with the client. Fees for such services are negotiable and detailed in the client agreement.

## **Item 5 – Fees and Compensation**

### **Asset Management**

The specific manner in which fees are charged by the firm is established in a client's written agreement between the client and Red Mountain Financial Partners – up to 1.5% of assets under management. Clients can determine to engage the services of Red Mountain Financial Partners on a discretionary or non-discretionary basis. The firm's annual investment advisory fee shall be based upon a percentage (%) of the market value billed quarterly in advance based on the value on the last day of the previous quarter.

Clients will provide LPL Financial, as the qualified custodian, with written authorization to deduct fees and pay the advisory fees to Red Mountain Financial Partners. The advisory fee is paid directly by LPL Financial to Red Mountain Financial Partners (not an individual). Red Mountain Financial Partners will then share the advisory fee with its advisors/associated persons.

LPL Financial will send statements on a quarterly basis to clients of Red Mountain Financial Partners showing the market values and all account disbursements including the amount of the advisory fees paid to Red Mountain Financial Partners.

Clients may terminate the agreement without penalty for a full refund of fees within five business days of signing the Investment Advisory Contract. Thereafter, clients may terminate the Investment Advisory Contract generally with 30 days' written notice. If the advisory agreement is terminated before the end of the quarterly period, client is entitled to a pro-rated

refund of any unearned pre-paid quarterly advisory fee based on the number of days remaining in the quarter after the termination date.

### **Financial Planning Services**

We charge on an hourly or fixed fee basis for financial planning services. The total estimated fee, as well as the ultimate fee that we charge you, is based on the scope and complexity of our engagement with you but typically range from \$100 - \$5,000 per plan

### **Hourly Consulting Services**

We charge on an hourly or fixed fee basis for consulting services. The total estimated fee, as well as the ultimate fee that we charge you, is based on the scope and complexity of our engagement with you. Our hourly fees range from \$100 - \$250.

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

Clients will incur transaction charges for trades executed in their accounts. These transaction fees are separate from our advisory fees and will be disclosed by the firm that the trades are executed through. Also, 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).

### **Commissionable Securities Sales**

LPL Financial charges brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). LPL Financial enables us to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. LPL Financial commission rates are generally discounted from customary retail commission rates. However, the commission and transaction fees charged by LPL Financial may be higher or lower than those charged by other Custodians and broker/dealers. Clients retain the right to direct their brokerage transactions at a firm other than LPL Financial. Advisory fees are generally not reduced to offset commissions or markups.

When dealing with investment advisory clients and services, investment adviser representatives have an affirmative duty of care, loyalty, honesty and good faith to act in the best interests of its clients. Investment adviser representatives must fully disclose all material facts concerning any conflicts of interest and avoid even the appearance of a conflict of interest.

The Firm and IARs must abide by honest and ethical business practices including, but not be limited to:

- Not inducing trading in a client's account that is excessive in size or frequency in view of the financial resources and character of the account;



- Making recommendations with reasonable grounds to believe that they are appropriate based on the information furnished by the client;
- Placing discretionary orders only after obtaining client's written trading authorization contained within the advisory agreement or via separate amendment;
- Placing non-discretionary orders only after receiving express client consent per order;
- Not borrowing money or securities from, or lending money or securities to a client;
- Not placing an order for the purchase or sale of a security if the security is not registered, or the security or transaction is not exempt from registration in the specific state;

The Firm and the IAR will:

- Allocate securities in a manner that is fair and equitable to all clients
- Not effect agency-cross transactions for client accounts

Clients retain the right to purchase investment products recommended by our firm through other, non-affiliated broker dealers or agents.

When the firm's representatives sell an investment product on a commission basis, the firm does not charge an advisory fee in addition to the commissions paid by the client for such product. When providing services on an advisory fee basis, Red Mountain Financial Partners representatives do not also receive commission compensation for such advisory services. However, a client may engage the firm to provide investment management services for an advisory fee and separately purchase an investment product from an investment adviser representative in their capacity of a registered representative of LPL Financial on a commission basis. Such transactions would be outside of the asset management services.

### **LPL Financial Sponsored Programs**

LPL Financial serves as the program sponsor, investment advisor and broker/dealer for certain LPL advisory programs. Red Mountain Financial Partners and LPL Financial may share in the account fee and other fees associated with program accounts. Advisor receives compensation as a result of a client's participation in an LPL Financial program. Depending on, among other things, the size of the account, changes in its value over time, the ability to negotiate fees or commissions, and the number of transactions, the amount of this compensation may be more or less than what the Advisor would receive if the client participated in other programs, whether through LPL or another sponsor, or paid separately for investment advice, brokerage and other services.

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

Neither the firm or any supervised persons accepts performance-based fees, fees based on a share of capital gains on or capital appreciation of the assets of a client such as a hedge fund or other pooled investment vehicle.

## **Item 7 – Types of Clients**

The advisory services offered by Red Mountain Financial Partners are available for individuals, individual retirement accounts (“IRAs”), banks and thrift institutions, pension and profit sharing plans, including plans subject to Employee Retirement Income Security Act of 1974 (“ERISA”), trusts, estates, charitable organizations, state and municipal government entities, corporations and other business entities.

However, the firm generally provides investment advice to high net worth individuals and individuals as well as corporations. The firm is currently not working with other types of clients or pursuing them as prospects but would not turn away any opportunities that may arise.

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

We emphasize continuous and regular account supervision. As part of our asset management service, we generally create a portfolio, consisting of individual stocks or bonds, exchange traded funds (“ETFs”), options, mutual funds and other public securities or investments. The client’s individual investment strategy is tailored to their specific needs and may include some or all of the previously mentioned securities. Each portfolio will be initially designed to meet a particular investment goal, which we determine to be appropriate to the client’s circumstances. Once the appropriate portfolio has been determined, it is subject to review and if necessary, rebalanced based upon the client’s individual needs, stated goals and objectives. Each client has the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio as documented on the advisory agreement.

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio.

Asset Management portfolios may include an allocation of the below types of investment vehicles depending on the individual goals, objectives, time horizon, and risk tolerance of a particular client. The below list is not all inclusive.

- **Mutual Funds** - Investing in mutual funds carries the risk of capital loss and thus you may lose money investing in mutual funds. All mutual funds have costs that lower investment returns. The funds can be of bond “fixed income” nature (lower risk) or stock “equity” nature (mentioned below).
- **Equity** - Investment generally refers to buying shares of stocks in return for receiving a future payment of dividends and/or capital gains if the value of the stock increases. The value of equity securities may fluctuate in response to specific situations for each company, industry conditions and the general economic environments.
- **Fixed income** - Investments generally pay a return on a fixed schedule, though the amount of the payments can vary. This type of investment can include corporate and

government debt securities, leveraged loans, high yield, and investment grade debt and structured products, such as mortgage and other asset-backed securities, although individual bonds may be the best known type of fixed income security. In general, the fixed income market is volatile and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed income securities also carry inflation risk, liquidity risk, call risk, and credit and default risks for both issuers and counterparties. The risk of default on treasury inflation protected/inflation linked bonds is dependent upon the U.S. Treasury defaulting (extremely unlikely); however, they carry a potential risk of losing share price value, albeit rather minimal. Risks of investing in foreign fixed income securities also include the general risk of non-U.S. investing described below.

- **Exchange Traded Funds (ETFs)** - An ETF is an investment fund traded on stock exchanges, similar to stocks. Investing in ETFs carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy). Areas of concern include the lack of transparency in products and increasing complexity, conflicts of interest and the possibility of inadequate regulatory compliance. Precious Metal ETFs (e.g., Gold, Silver, or Palladium Bullion backed “electronic shares” not physical metal) specifically may be negatively impacted by several unique factors, among them (1) large sales by the official sector which own a significant portion of aggregate world holdings in gold and other precious metals, (2) a significant increase in hedging activities by producers of gold or other precious metals, (3) a significant change in the attitude of speculators and investors.
- **Non-U.S. securities** – These securities present certain risks such as currency fluctuation, political and economic change, social unrest, changes in government regulation, differences in accounting and the lesser degree of accurate public information available.
- **UIT Securities** – Designed for investors who can assume the risks associated with equity or fixed-income investments and may not be appropriate for investors seeking capital preservation or high current income. There is no assurance that UIT securities will meet their objective(s). There may be special risks if a portfolio is concentrated within a specific sector of the market. A UIT may contain a limited number of securities, which may make it more susceptible to price volatility than a portfolio diversified among a greater number of holdings. UITs are not actively managed and do not sell securities in response to ordinary market fluctuations. Instead, securities will not usually be sold until termination, which could mean that the sale price of the trust securities may not be the highest price at which these securities traded during the life of the trust.
- **Margin Accounts.** Client should be aware that margin borrowing involves additional risks. Margin borrowing will result in increased gain if the value of the securities in the account go up, but will result in increased losses if the value of the securities in the account goes down. The custodian, acting as the client’s creditor, will have the authority to liquidate all or part of the account to repay any portion of the margin loan, even if the timing would be disadvantageous to the client. For performance illustration purposes,

the margin interest charge will be treated as a withdrawal and will, therefore, not negatively impact the performance figures reflected on the quarterly advisory reports. The use of margin is limited as a prerequisite to certain options trading requirements.

- **Options Trading/Writing** is a securities transaction that involves buying or selling (writing) an option. If you write an option and the buyer exercises the option, you are obligated to purchase or deliver a specified number of shares at a specified price at the expiration of the option regardless of the market value of the security at expiration of the option. Buying an option gives you the right to purchase or sell a specified number of shares at a specified price until the date of expiration of the option regardless of the market value of the security at expiration of the option. Investment adviser representatives of Red Mountain Financial Partners use conservative options such as covered calls and protective puts and spreads as appropriate to better define investment risk. While options can be used to help mitigate investment risk they introduce an additional expense that reduces the potential total returns.

We generally invest client's cash balances in money market funds, FDIC Insured Certificates of Deposit, high-grade commercial paper and/or government backed debt instruments.

Ultimately, we try to achieve the highest return on our client's cash balances through relatively low-risk conservative investments. In most cases, at least a 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 as applicable.

The firm uses a combination of multiple forms of analysis in order to formulate investment advice when managing assets. The primary type of analysis is technical analysis. Technical analysis involves the analysis of past market data; primarily price and volume. Technical analysis attempts to predict a future stock price or direction based on market trends. The assumption is that the market follows discernible patterns and if these patterns can be identified then a prediction can be made. The risk is that markets do not always follow patterns and relying solely on this method may not take into account new patterns that emerge over time.

In addition to technical analysis, the firm may also implement other types of analysis as listed below:

- **Fundamental Analysis** involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages. Fundamental analysis concentrates on factors that determine a company's value and expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.
- **Cyclical Analysis** involves the analysis of business cycles to find favorable conditions for buying and/or selling a security. Cyclical analysis assumes that the markets react in cyclical patterns which, once identified, can be leveraged to provide performance. The risks with this strategy are two-fold: 1) the markets do not always repeat cyclical patterns; and 2) if too many investors begin to implement this strategy, then it changes the very cycles these investors are trying to exploit.
- **Technical analysis** is a method of evaluating securities by analyzing statistics

generated by market activity. A technician looks to take the emotion out of investing by applying rules that usually apply to almost every investment that fluctuates in price in a free market. In general, a technician believes that people have predictable mental short cuts of reacting to action in the markets (known as heuristics in cognitive psychology). Technicians seek to profit by anticipating the mass psychological biases of buyers and sellers in a broad range of markets.

- **Charting Analysis** involves the gathering and processing of price and volume information for a particular security. This price and volume information is analyzed using mathematical equations. The resulting data is then applied to graphing charts, which is used to predict future price movements based on price patterns and trends.
- **Long-Term Purchases** are securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.
- **Short-Term Purchases** are securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations. Short-term purchases tend to involve higher fees.

Depending on the analysis the firm will implement a long or short term trading strategy based on the particular objectives and risk tolerance of a particular client.

Please note, investing in securities involves risk of loss that clients should be prepared to bear. There are different types of investments that involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy will be profitable or equal any specific performance level(s). Past performance is not indicative of future results. The firms' methods of analysis and investment strategies do not represent any significant or unusual risks however all strategies have inherent risks and performance limitations such as:

- **Market Risk** - the risk that the value of securities may go up or down, sometimes rapidly or unpredictably, due to factors affecting securities markets generally or particular industries.
- **Interest Rate Risk** - the risk that fixed income securities will decline in value because of an increase in interest rates; a bond or a fixed income fund with a longer duration will be more sensitive to changes in interest rates than a bond or bond fund with a shorter duration.
- **Credit Risk** - the risk that an investor could lose money if the issuer or guarantor of a fixed income security is unable or unwilling to meet its financial obligations.

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

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of an advisory firm or the integrity

of a firm's management.

Any such disciplinary information for the company and the company's investment advisor representatives would be provided herein and publicly accessible by selecting the Investment Advisor Search option at: <http://www.adviserinfo.sec.gov>.

There are no legal or disciplinary events to disclose.

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

Investment advisor representatives may also be registered representatives of LPL Financial, an unaffiliated SEC registered and FINRA/SIPC member broker/dealer. Clients may choose to engage a registered investment advisor in their capacity as a registered representative of the unaffiliated LPL Financial broker/dealer, to implement investment recommendations on a commission basis.

Representatives of our firm are insurance agents/brokers. They may offer insurance products and receive customary fees as a result of insurance sales. A conflict of interest arises as these insurance sales create an incentive to recommend products based on the compensation adviser and/or our supervised persons may earn and may not necessarily be in the best interests of the client. Investment adviser representatives have a fiduciary duty to act in the best interest of clients. Additionally, such conflicts of interest are subject to review by the Chief Compliance Officer and subject to LPL Financial surveillance controls.

Neither Red Mountain Financial Partners nor any of the management persons are registered or has a registration pending to register as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

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

Red Mountain Financial Partners maintains a Code of Ethics, which serves to establish a standard of business conduct for all employees that are based upon fundamental principles of openness, integrity, honesty and trust.

The Code of Ethics includes guidelines regarding personal securities transactions of its employees and investment advisor representatives. The Code of Ethics permits employees and investment advisor representatives or related persons to invest for their own personal accounts in the same or different securities that an investment advisor representative may purchase for clients in program accounts. This presents a conflict of interest because trading by an employee or investment advisor representatives in a personal securities account in the same or different security on or about the same time as trading by a client could potentially disadvantage the client. Red Mountain Financial Partners addresses this conflict of interest by requiring in its Code of Ethics that employees and investment advisor representatives report certain personal securities transactions and holdings to the Chief Compliance Officer for review.

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 supervised persons 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 regularly thereafter, all supervised persons will sign an acknowledgement that they have read, understand, and agree to comply with our Code of Ethics. Our firm and supervised persons 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.

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

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

Neither Red Mountain Financial Partners nor a related person recommends to clients, or buys or sells for client accounts, securities in which you or a related person has a material financial interest.

### **Item 12 – Brokerage Practices**

Red Mountain Financial Partners will recommend the use of LPL Financial as the broker/dealer for securities transactions. Red Mountain Financial Partners is independently owned and operated and not affiliated with a broker-dealer; although, investment adviser representatives of Red Mountain Financial Partners are registered representatives of LPL Financial.

Red Mountain Financial Partners receives support services and/or products from LPL Financial, many of which assist the Red Mountain Financial Partners to better monitor and service program accounts maintained at LPL Financial; however, some of the services and products benefit Red Mountain Financial Partners and not client accounts. These support services and/or products may be received without cost, at a discount, and/or at a negotiated rate, and may include the following:

- investment-related research
- pricing information and market data
- software and other technology that provide access to client account data
- compliance and/or practice management-related publications
- consulting services
- attendance at conferences, meetings, and other educational and/or social events
- marketing support
- computer hardware and/or software
- other products and services used by Red Mountain Financial Partners in furtherance of its investment advisory business operations

LPL Financial may provide these services and products directly, or may arrange for third party vendors to provide the services or products to Advisor. In the case of third party vendors, LPL Financial may pay for some or all of the third party's fees.

These support services are provided to Red Mountain Financial Partners based on the overall relationship between Red Mountain Financial Partners and LPL Financial. It is not the result of soft dollar arrangements or any other express arrangements with LPL Financial that involves the execution of client transactions as a condition to the receipt of services. Red Mountain Financial Partners will continue to receive the services regardless of the volume of client transactions executed with LPL Financial. Clients do not pay more for services as a result of this arrangement. There is no corresponding commitment made by the Red Mountain Financial Partners to LPL or any other entity to invest any specific amount or percentage of client assets in any specific securities as a result of the arrangement. However, because Advisor receives these benefits from LPL Financial, there is a potential conflict of interest. The receipt of these products and services presents a financial incentive for Advisor to recommend that its clients use LPL Financial's custodial platform rather than another custodian's platform.

As a result of receiving the services Red Mountain Financial Partners has an incentive to continue to use or expand the use of our custodial services. Our firm examined this potential conflict of interest when we chose to enter into the relationship with the LPL Financial and we have determined that the relationship is in the best interest of our firm's clients and satisfies our fiduciary obligations, including our duty to seek best execution.

The Custodian charge brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). The Custodian enables us to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. The Custodian commission rates are generally discounted from customary retail commission rates. However, the commission and transaction fees charged by the Custodian may be higher or lower than those charged by other Custodian and broker/dealers.



Clients may pay a commission to the Custodian that is higher than another qualified broker dealer might charge to effect the same transaction where we determine in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although we will seek competitive rates, to the benefit of all clients, we may not necessarily obtain the lowest possible commission rates for specific client account transactions.

Neither we nor any of our firm's related persons 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. After considering each client's situation, our firm may recommend the use of one or more of the broker-dealers identified above. Each client will be required to establish an account with a Custodian. Please note that not all advisers have this requirement.

Clients may direct their brokerage transactions at a firm other than the Custodian. Client directed brokerage may cost clients more money. For example, in a directed brokerage account, you may pay higher brokerage commissions because we may not be able to aggregate orders to reduce transaction costs, or you may receive less favorable prices. Likewise, client directed brokerage accounts may also result in more favorable prices, depending on each client's individual situation.

### **Item 13 – Review of Accounts**

For those clients to whom Red Mountain Financial Partners provides investment supervisory services, account reviews are conducted on an ongoing basis by the Chief Compliance Officer. All investment supervisory clients are advised that it remains their responsibility to advise Red Mountain Financial Partners of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with their investment advisor representative on an annual basis.

The Chief Compliance Officer may also conduct account reviews based on the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and by client request.

Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. Red Mountain Financial Partners may also provide a written periodic report summarizing account activity and performance.

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

### **LPL Financial, LLC**

Red Mountain Financial Partners receives an economic benefit from LPL Financial in 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.

Red Mountain Financial Partners and employees may receive additional compensation from product sponsors. However, such compensation may not be tied to the sales of any products. Compensation may include such items as gifts valued at less than \$100 annually, an occasional dinner or ticket to a sporting event, or reimbursement in connection with educational meetings with investment advisor representative, client workshops or events, marketing events or advertising initiatives, including services for identifying prospective clients. Product sponsors may also pay for, or reimburse Red Mountain Financial Partners for the costs associated with, education or training events that may be attended by Red Mountain Financial Partners employees and investment advisor representatives and for Red Mountain Financial Partners sponsored conferences and events.

Economic benefits and compensation are a conflict of interest; however, investment adviser representatives have a fiduciary duty to act in the best interest of clients.

## **Item 15 – Custody**

Red Mountain Financial Partners does not have actual custody of client funds or securities. However, Red Mountain Financial Partners is deemed to have constructive custody based on the ability to reduce or refund advisory fees. Clients will provide LPL Financial, as the qualified custodian, with written authorization to deduct fees and pay the advisory fees to Red Mountain Financial Partners. All of our clients receive at least quarterly account statements directly from their Custodian as well as a concurrent invoice from Red Mountain Financial Partners. The invoices will include the formula used to calculate the fee, the assets subject to the fee and the time period covered. Upon opening an account with a qualified custodian on a client's behalf, we promptly notify the client in writing of the qualified custodian's contact information.

We encourage our clients to raise any questions with us about the custody, safety or security of their assets. The Custodian we do business with will send you independent account statements listing your account balance(s), transaction history and any fee debits or other fees taken out of your account.

## **Item 16 – Investment Discretion**

The client can determine to engage the Red Mountain Financial Partners to provide investment advisory services on a discretionary basis or on a non-discretionary basis. Prior to the Red Mountain Financial Partners assuming discretionary authority over a client's account, the client shall be required to execute an *Investment Advisory Agreement*, naming the Red Mountain Financial Partners as the client's limited power of attorney, granting the Red Mountain Financial Partners full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

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

Red Mountain Financial Partners does not vote client proxies but third party money managers selected or recommended by our firm may vote proxies for clients. Clients will otherwise receive their proxies or other solicitations directly from their custodian. Clients may contact Red Mountain Financial Partners at (970) 259-1313 to discuss any questions they may have with a particular solicitation.

However, third party money managers selected or recommended by our firm may vote proxies for clients. Therefore, except in the event a third party money manager votes proxies, 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. Therefore (except for proxies that may be voted by a third party money manager), our firm and/or you shall instruct your qualified custodian to forward to you copies of all proxies and shareholder communications relating to your investment assets.

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

Red Mountain Financial Partners does not require or solicit prepayment of more than \$1200 in fees per client, six months or more in advance. There are no financial conditions that are reasonably likely to impair the firm's ability to meet contractual commitments to clients. At no time has Red Mountain Financial Partners been the subject of a bankruptcy petition.