

Form ADV Part 2A Appendix 1 - Wrap Fee Program Brochure  
Item 1: Cover Page  
March 2023

**Granite Wrap Program**

**Sponsored By:**



**Granite Harbor Advisors**

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**Firm Contact:**

**Nicholas Brown**

**Chief Compliance Officer**

This wrap fee program brochure provides information about the qualifications and business practices of Granite Harbor Advisors, Inc. If you have any questions about the contents of this brochure, please contact us by telephone at (832) 461-0789 or email at [info@graniteharbor.com](mailto:info@graniteharbor.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 Granite Harbor Advisors, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching CRD# 179523.

Please note that the use of the term "registered investment adviser" and description of Granite Harbor Advisors, Inc. and/or our associates as "registered" does not imply a certain level of skill or training. You are encouraged to review this Brochure and Brochure Supplements for our firm's associates who advise you for more information on the qualifications of our firm and our employees.

## Item 2: Material Changes

Granite Harbor Advisors, Inc. is required to advise you of any material changes to the Wrap Brochure ("Wrap Brochure") from our last annual update.

Since our last Annual Amendment filing, our firm has the following material changes to disclose:

- We have added Charles Schwab & Co. Inc disclosure language pertaining to our use of Schwab as a recommended custodian in addition to TD Ameritrade.

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## Item 4: Services, Fees & Compensation

We offer wrap fee programs as described in this Wrap Fee Program Brochure. Our wrap fee accounts are managed on an individualized basis according to the client's investment objectives, financial goals, risk tolerance, etc.

A wrap fee program allows our clients to pay a specified fee for investment advisory services and the execution of transactions. The advisory services may include portfolio management, and the fee is not based directly upon transactions in your account. Your fee is bundled with our costs for executing transactions in your account(s). This results in a higher advisory fee to you. We do not charge our clients higher advisory fees based on their trading activity, but you should be aware that we may have an incentive to limit our trading activities in your account(s) because we are charged for executed trades. By participating in a wrap fee program, you may end up paying more or less than you would through a non-wrap fee program where a lower advisory fee is charged, but trade execution costs are passed directly through to you by the executing broker.

The benefits under a wrap fee program depend, in part, upon the size of the account, the costs associated with managing the account, and the frequency or type of securities transactions executed in the account. For example, a wrap fee program may not be suitable for all accounts, including but not limited to accounts holding primarily, and for any substantial period of time, cash or cash equivalent investments, fixed income securities or no-transaction-fee mutual funds, or any other type of security that can be traded without commissions or other transaction fees.

In order to evaluate whether a wrap [or bundled] fee arrangement is appropriate for you, you should compare the agreed-upon Wrap Program Fee and any other costs associated with participating in our Wrap Fee Program with the amounts that would be charged by other advisers, broker-dealers, and custodians, for advisory fees, brokerage and execution costs, and custodial services comparable to those provided under the Wrap Fee Program.

In addition to the advisory services, the wrap fee program includes certain brokerage services of Charles Schwab & Co., Inc. ("Schwab") a broker-dealer registered with the Securities and Exchange Commission and a member of FINRA and SIPC. We are independently owned and operated and not affiliated with Schwab. Schwab will act solely as a broker-dealer and not as an investment advisor to you. It will have no discretion over your account and will act solely on instructions it receives from us [or you]. Schwab has no responsibility for our services and undertakes no duty to you to monitor our firm's management of your account or other services we provide to you. Schwab will hold your assets in a brokerage account and buy and sell securities and execute other transactions when we [or you] instruct them to. We do not open the account for you.

TD Ameritrade and Schwab do not charge transaction fees for U.S. listed equities and exchange traded funds. Since we pay the transaction fees charged by the custodian to clients participating in our wrap fee program, this presents a conflict of interest because we are incentivized to recommend equities and exchange traded funds over other types of securities in order to reduce our costs. To mitigate this conflict our firm upholds our fiduciary duty in selecting the appropriate asset for a given portfolio and the cost to trade that asset is not taken into account when determining that appropriateness.

## **Our Wrap Advisory Services**

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### **Wrap Portfolio Management:**

We emphasize continuous and regular account supervision. As part of this service, we generally create a portfolio, consisting of individual stocks or bonds, exchange traded funds (“ETFs”), mutual funds and other public and private 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 suitable to the client’s circumstances. Once the appropriate portfolio has been determined, we review the portfolio at least annually and if necessary, rebalance the portfolio 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.

Our firm utilizes the sub-advisory services of SEI Investments Company (“SEI”) for portfolio diversification and access to additional asset classes. As part of this process, we will provide initial due diligence on the programs available, gather information from clients about their financial situation, investment objectives, and restrictions, and deliver the required account paperwork and disclosure documents if the client selects a program. Prior to referring clients to SEI, we will ensure that they are licensed, or notice filed with the respective authorities.

Our firm also offers variable annuity management for certain annuities which are sold on a fee-only basis. These arrangements are custodied direct with the sponsor and the terms and conditions will be set forth in a separate agreement entered into by the client with the sponsor. The fees for these offerings vary but will never exceed the fees disclosed for our Asset Management service.

The maximum fee for our Wrap Portfolio Management service is 1.75% of the assets under management in each household which may also be a flat dollar amount not to exceed 1.75% of assets under management. Our firm’s annualized fees are generally billed on a pro-rata basis monthly or quarterly in arrears based on an average daily balance of the account(s) value during the billing period. Our advisory fee will be assessed on cash and cash equivalents unless otherwise agreed to in writing. The exact arrangements shall be indicated in the executed client agreement. It should be noted that our firm is not assessed transaction charges for either the sub-advised accounts or fee-based variable annuities, as these costs are built into the program/ product fees borne by the client.

The total estimated fee, as well as the ultimate fee that we charge you, is negotiable and will be based on the scope and complexity of our engagement with you. Fees will be automatically deducted from your account. As part of the fee deduction process, you are made aware of the following:

1. Clients must provide our firm with written authorization permitting direct payment of advisory fees from their account(s) maintained by a custodian who is independent of our firm;
2. Our firm provides clients with electronic access to quarterly performance reports showing the fee amount, the value of the assets upon which the fee was based, the specific manner in which the fee was calculated as well as a disclosure that it is the client’s responsibility to verify the accuracy of fee calculation, and that the custodian does not determine its accuracy; and
3. The account custodian sends a statement to the client, at least quarterly, showing all account disbursements, including advisory fees.

Fees for sub-advisory services rendered to our clients by SEI are billed on a pro-rata basis quarterly in arrears based on the average daily balance of the account(s) value during the billing period. Our firm calculates the quarterly fee due to us and instructs SEI the amount to deduct from your managed account. Our fee will be in addition to fees that are imposed by SEI for programs and managers they make available, which they deduct separately. SEI establishes and maintains their own separate billing processes, which we have no control of. The advisory fee paid to our firm shall not exceed the fee published for this service. The terms and conditions under which the client shall engage SEI will be set forth in a separate agreement between the client and SEI.

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

You may pay custodial fees, charges imposed directly by a mutual fund, index fund, annuity or exchange traded fund which shall be disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses), mark-ups and mark-downs, spreads paid to market makers, fees (such as a commission or markup) for trades executed away from Schwab at another broker-dealer, wire transfer fees and other fees and taxes on brokerage accounts and securities transactions. These fees are not included within the wrap-fee you are charged by our firm. It is important to note that our firm does not include the trading cost associated with unsolicited trades made by clients in our wrap-fee program. The client will be billed directly for these fees.

Our investment advisory representatives receive a portion of the advisory fee that you pay us, either directly as a percentage of your overall fee or as their salary from our firm. In cases where our investment advisory representatives are paid a percentage of your overall advisory fee, this may create an incentive to recommend that you participate in a wrap fee program rather than a non-wrap fee program (where you would pay for trade execution costs) or brokerage account where commissions are charged. This is because, in some cases, we may stand to earn more compensation from advisory fees paid to us through a wrap fee program arrangement if your account is not actively traded.

## **Item 5: Account Requirements & Types of Clients**

We require a minimum household balance of \$100,000 for our Wrap Portfolio Management service. This minimum account balance requirement may be negotiable and would be required throughout the course of the client's relationship with our firm.

Our firm works with the following types of clients:

- Individuals and High Net-Worth Individuals;
- Trusts, Estates or Charitable Organizations;
- Corporations, Limited Liability Companies and/or Other Business Types.

## **Item 6: Portfolio Manager Selection & Evaluation**

### **Selection of Portfolio Managers**

Our firm utilizes our in-house portfolio managers as well as a selection of outside portfolio managers through SEI Investments Company ("SEI"). In-house accounts custodied at TD Ameritrade Institutional, a division of TD Ameritrade, Inc. ("TD Ameritrade") and Charles Schwab & Co. Inc. ("Schwab"), member FINRA/SIPC are managed by licensed investment adviser representatives ("IAR"s) of our firm. Prior to becoming licensed with our firm, each IARs industry experience,

licensure, outside business activities, client complaints (if any), disciplinary or regulatory history (if any) and financial well-being will be reviewed. Each IAR will then have a Form U4 and ADV Part 2B on file with our firm. SEI managers are selected based on past performance, investment philosophy, market outlook, experience of associated portfolio managers and executive team, disciplinary, legal and regulatory histories of the firm and its associates, and/or whether compliance procedures are in place to address at a minimum, insider trading, conflicts of interest, and/or anti-money laundering.

Performance returns of wrap portfolios are reviewed at least quarterly. The nature of these reviews is to learn whether client accounts are in line with their investment objectives and appropriately positioned based on market conditions. If these standards fall below the client objectives, our firm will discuss the review with the portfolio manager for proactive action to realign the investment strategy.

### **Advisory Business:**

See Item 4 for information about our wrap fee advisory program. We offer individualized investment advice to clients utilizing our Wrap Portfolio Management service.

Each client has the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio. Restrictions on investments in certain securities or types of securities may not be possible due to the level of difficulty this would entail in managing the account. Restrictions would be limited to our Wrap Portfolio Management service. We do not manage assets through our other services.

### **Performance-Based Fees & Side-By-Side Management:**

We do not charge performance fees to our clients.

### **Methods of Analysis, Investment Strategies & Risk of Loss:**

Representatives of our firm are given full discretion to manage client assets based upon information obtained from the client, including without limitation, a client's current financial status, investment objectives/goals, and risk tolerances. Our representatives will accordingly make recommendations based upon the information provided and may allocate a client's portfolio into any range of various investment products, such as mutual funds, stocks, bonds, exchange traded funds (ETF's) and others that are suitable based upon a client's individual needs. Representatives of our firm are charged with continuous monitoring of client portfolios to respond to a change in a client's investment objectives, risk tolerances or financial condition that may warrant a change in the strategy employed or recommendations made. Likewise, client accounts are periodically reviewed by our firm to ensure consistency of program strategies and performance with clients' stated objectives.

Our representatives may use several sources to gather information including by not limited to Financial Newspapers and Magazines, Research Materials prepared by others, Corporate rating services, Timing services Annual reports, prospectuses, filings with the SEC, Company press releases and other materials providing investment related information.

Our firm will make long-term purchases (securities held at least a year), short term purchases (securities sold within a year), trading (securities sold within 30 days). Generally, there is more risk involved with shorter trading.

Strategies employed by our firm may include, but are not limited to: Conservative, Income, Growth & Income, Growth, and Aggressive. Investing in securities involves risk of loss that clients should be prepared to bear. Our firm does not represent or guarantee that its services and recommendations can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. Equity based mutual funds are subject to risks similar to those of stocks, including market risk, which is the risk that investment returns will fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost. International mutual funds are subject to fluctuations due to changes in a currency's exchange rate and political risk. Fixed-income mutual funds (bond funds) fluctuate with the bond market.

Fixed income risks include credit risk (the risk that a company or bond issuer may fail to pay principal and interest payments in a timely manner); interest rate risk (the risk that the market value of the bonds will go down when interest rates go up); and prepayment risk (the risk that a bond will be paid off early). Our firm cannot offer any guarantees or promises that a client's financial goals and objectives will be met. Past performance is in no way an indication of future performance.

**Options:** An option is a financial derivative that represents a contract sold by one party (the option writer) to another party (the option holder, or option buyer). The contract offers the buyer the right, but not the obligation, to buy or sell a security or other financial asset at an agreed-upon price (the strike price) during a certain period of time or on a specific date (exercise date). Options are extremely versatile securities. Traders use options to speculate, which is a relatively risky practice, while hedgers use options to reduce the risk of holding an asset. In terms of speculation, option buyers and writers have conflicting views regarding the outlook on the performance of a:

- *Call Option:* Call options give the option to buy at certain price, so the buyer would want the stock to go up. Conversely, the option writer needs to provide the underlying shares in the event that the stock's market price exceeds the strike due to the contractual obligation. An option writer who sells a call option believes that the underlying stock's price will drop relative to the option's strike price during the life of the option, as that is how he will reap maximum profit. This is exactly the opposite outlook of the option buyer. The buyer believes that the underlying stock will rise; if this happens, the buyer will be able to acquire the stock for a lower price and then sell it for a profit. However, if the underlying stock does not close above the strike price on the expiration date, the option buyer would lose the premium paid for the call option.
- *Put Option:* Put options give the option to sell at a certain price, so the buyer would want the stock to go down. The opposite is true for put option writers. For example, a put option buyer is bearish on the underlying stock and believes its market price will fall below the specified strike price on or before a specified date. On the other hand, an option writer who sells a put option believes the underlying stock's price will increase about a specified price on or before the expiration date. If the underlying stock's price closes above the specified strike price on the expiration date, the put option writer's maximum profit is achieved. Conversely, a put option holder would only benefit from a fall in the underlying stock's price below the strike price. If the underlying stock's price falls below the strike price, the put option writer is obligated to purchase shares of the underlying stock at the strike price.

The potential risks associated with these transactions are that (1) all options expire. The closer the option gets to expiration, the quicker the premium in the option deteriorates; and (2) Prices can move very quickly. Depending on factors such as time until expiration and the relationship of the stock



price to the option's strike price, small movements in a stock can translate into big movements in the underlying options.

**Margin Loans:** Our firm may allow or recommend that you to pledge securities from your portfolio as collateral for a loan by using margin in brokerage account. This allows you to own more stock than you would be able to with your available cash. Margin accounts and transactions are risky and not necessarily appropriate for every client.

The potential risks associated with these transactions are (1) You can lose more funds than are deposited into the margin account; (2) the forced sale of securities or other assets in your account; (3) the sale of securities or other assets without contacting you; (4) you may not be entitled to choose which securities or other assets in your account(s) are liquidated or sold to meet a margin call; and (5) custodians charge interest on margin balances which will reduce your returns over time.

#### **Voting Client Securities:**

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

### **Item 7: Client Information Provided to Portfolio Manager(s)**

Our firm communicates with your portfolio manager(s) on a regular basis as needed (daily, weekly, monthly, etc) to ensure your most current investment goals and objectives are understood by your portfolio manager(s). In most cases, we will communicate such information as part of our regular investment management duties. Nevertheless, we will also communicate information to your portfolio manager(s) when you ask us to, when market or economic conditions make it prudent to do so, etc.

### **Item 8: Client Contact with Portfolio Manager(s)**

Clients are always free to directly contact our in-house IARs with any questions or concerns they have about their portfolios or other matters.

### **Item 9: Additional Information**

#### **Disciplinary Information**

In December 2013, Brian Sak entered into an Acceptance, Waiver, and Consent with the Financial Industry Regulatory Authority for not disclosing an outside business activity to AXA Advisors, LLC, Sak's employing firm at the time of the disclosure. Without admitting or denying the findings, Sak consented to the described sanction and to the entry of findings. Therefore, he was fined \$5,000 and was suspended from association with any FINRA Member in any capacity for 30 days. The suspension was in effect from January 6, 2014, through February 4, 2014.

## **Financial Industry Activities & Affiliations**

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Representatives of our firm are licensed insurance agents/brokers. They may offer products and receive normal and customary commissions as a result of these transactions. A conflict of interest may arise as these commissionable insurance sales may create an incentive to recommend products based on the compensation they may earn. To mitigate this potential conflict of interest, our firm's representatives will adhere to our firm's Code of Ethics and only offer suitable products that are in the best interests of the client. Additionally, clients are free to purchase insurance products from any insurance company and are not obligated to purchase these products through our firm's representatives.

Our firm also has an affiliation with Granite Harbor Group via ownership interests of some of our management personnel. While our representatives may offer these insurance services to clients of our firm, those clients are not obligated to purchase such products through our affiliated firm and are free to purchase these products from any insurance company.

## **Code of Ethics, Participation, or Interest in Client Transactions & Personal Trading**

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

Therefore, to prevent conflicts of interest, we have in place a set of procedures (including a pre-clearing procedure) with respect to transactions effected by our members, officers, and employees for their personal accounts<sup>1</sup>. To monitor compliance with our personal trading policy, we have a quarterly securities transaction reporting system for all of our associates.

Furthermore, our firm has established a Code of Ethics which applies to all of our associated persons. An investment adviser is considered a fiduciary. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. We have a fiduciary duty to all clients. Our fiduciary duty is considered the core underlying principle for our Code of Ethics which also includes Insider Trading and Personal Securities Transactions Policies and Procedures. We require all of our 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 at least annually 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.

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<sup>1</sup> For purposes of the policy, our associate's personal account generally includes any account (a) in the name of our associate, his/her spouse, his/her minor children or other dependents residing in the same household, (b) for which our associate is a trustee or executor, or (c) which our associate controls, including our client accounts which our associate controls and/or a member of his/her household has a direct or indirect beneficial interest in.

## **Review of Accounts**

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We review accounts on at least an annual basis for clients subscribing to our Wrap Portfolio Management service. The nature of these reviews is to learn whether clients' accounts are in line with their investment objectives, appropriately positioned based on market conditions, and investment policies, if applicable. We review SEI account performance on at least an annual basis during which the manager's performance as it pertains to the client is evaluated and to confirm that the account continues to meet the client's investment objectives and income needs. Only our Financial Advisors or Portfolio Managers will conduct reviews. We may review client accounts more frequently than described above. Among the factors which may trigger an off-cycle review are major market or economic events, the client's life events, requests by the client, etc. We do not provide written reports to clients, unless asked to do so. Verbal reports to clients take place on at least an annual basis when we meet with clients who subscribe to this service.

## **Client Referrals & Other Compensation**

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### Schwab

Our firm receives economic benefit from Schwab in the form of the support products and services made available to our firm and other independent investment advisors that have their clients maintain accounts at Schwab. These products and services, how they benefit our firm, and the related conflicts of interest are described in *Form ADV Part 2A, Item 12 – Brokerage Practices*. The availability of Schwab's products and services is not based on our firm giving particular investment advice, such as buying particular securities for our clients.

### TD Ameritrade, Inc.

Our firm participates in the TD Ameritrade Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. ("TD Ameritrade") member FINRA/SIPC. TD Ameritrade is an independent and unaffiliated SEC-registered broker-dealer. TD Ameritrade offers to independent investment Advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Advisor receives some benefits from TD Ameritrade through its participation in the program. There is no direct link between our firm's participation in the program and the investment advice we give to our Clients, although we receive economic benefits through our participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving our firm's participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to us by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by our firm's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit our firm but may not benefit our Client accounts. These products or services may assist us in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help us manage and further develop our business enterprise. The benefits received by our firm or our personnel through participation in the program do not depend on the amount of brokerage transactions

directed to TD Ameritrade. As part of our fiduciary duties to our clients, we endeavor at all times to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits by our firm or our related persons in and of itself creates a potential conflict of interest and may indirectly influence our firm's choice of TD Ameritrade for custody and brokerage services.

In accordance with Rule 206 (4)-1 of the Investment Advisers Act of 1940, our firm provides cash or non-cash compensation directly or indirectly to unaffiliated persons for testimonials or endorsements (which include client referrals). Such compensation arrangements will not result in higher costs to the referred client. In this regard, our firm maintains a written agreement with each unaffiliated person that is compensated for testimonials or endorsements in an aggregate amount of \$1,000 or more (or the equivalent value in non-cash compensation) over a trailing 12-month period in compliance with Rule 206 (4)-1 of the Investment Advisers Act of 1940 and applicable state and federal laws. The following information will be disclosed clearly and prominently to referred prospective clients at the time of each testimonial or endorsement:

- Whether or not the unaffiliated person is a current client of our firm,
- A description of the cash or non-cash compensation provided directly or indirectly by our firm to the unaffiliated person in exchange for the referral, if applicable, and
- A brief statement of any material conflicts of interest on the part of the unaffiliated person giving the referral resulting from our firm's relationship with such unaffiliated person.

In cases where state law requires licensure of solicitors, our firm ensures that no solicitation fees are paid unless the solicitor is registered as an investment adviser representative of our firm. If our firm is paying solicitation fees to another registered investment adviser, the licensure of individuals is the other firm's responsibility.

### **Financial Information**

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We are not required to provide financial information in this Brochure because:

- We do not require the prepayment of more than \$1,200 in fees and six or more months in advance.
- We do not take custody of client funds or securities.
- We do not have a financial condition or commitment that impairs our ability to meet contractual and fiduciary obligations to clients.

We have never been the subject of a bankruptcy proceeding.