

## ADV Part 2A - Disclosure Brochure

# TRANQUILLI FINANCIAL ADVISOR, LLC

*a Registered Investment Adviser*



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March 16, 2023

This brochure provides information about the qualifications and business practices of Tranquilli Financial Advisor, LLC (hereinafter “Tranquilli Financial Advisor” or the “Firm”). If you have any questions about the contents of this brochure, please contact the Firm at the telephone number listed above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. Additional information about the Firm is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The Firm is a registered investment adviser. Registration does not imply any level of skill or training.

## **Item 2. Material Changes**

The material changes of this brochure will be updated annually and when material changes occur since the previous release of the Firm Brochure.

The Firm will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. The Firm may further provide other ongoing disclosure information about material changes as necessary and will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

There have been no material changes since the last annual amendment dated March 31, 2022.

You may request a copy of this brochure by contacting Tranquilli Financial Advisor at (908) 730-6234.

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## Item 4. Advisory Business

Tranquilli Financial Advisor offers a variety of advisory services, which include financial planning, consulting, and investment management services. Prior to Tranquilli Financial Advisor rendering any of the foregoing advisory services, clients are required to enter into one or more written agreements with Tranquilli Financial Advisor setting forth the relevant terms and conditions of the advisory relationship (the “Advisory Agreement”).

Tranquilli Financial Advisor filed for registration as an investment adviser in August 2018 and is wholly owned by Louis Tranquilli. As of December 31, 2022, Tranquilli Financial Advisor had \$147,285,900 in assets under management, all of which are managed on a discretionary basis.

While this brochure generally describes the business of Tranquilli Financial Advisor, certain sections also discuss the activities of its Supervised Persons, which refer to the Firm’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees or other persons who provide investment advice on Tranquilli Financial Advisor’s behalf and are subject to the Firm’s supervision or control.

### **Financial Planning and Consulting Services**

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Tranquilli Financial Advisor offers clients a broad range of financial planning and consulting services, which may include any or all of the following:

- Business Planning
- Cash Flow Forecasting
- Trust and Estate Planning
- Financial Reporting
- Investment Consulting
- Insurance Planning
- Retirement Planning
- Risk Management
- Charitable Giving
- Distribution Planning
- Manager Due Diligence

In performing these services, Tranquilli Financial Advisor is not required to verify any information received from the client or from the client’s other professionals (e.g., attorneys, accountants, etc.) and is expressly authorized to rely on such information. Tranquilli Financial Advisor recommends certain clients engage the Firm for additional related services, its Supervised Persons in their individual capacities as insurance producers and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists for the Firm to recommend that clients engage Tranquilli Financial Advisor or its affiliates to provide (or continue to provide) additional services for compensation, including investment management services. Clients retain absolute discretion over all decisions regarding implementation and are under no obligation to act upon any of the recommendations made by Tranquilli Financial Advisor under a financial

planning or consulting engagement. Clients are advised that it remains their responsibility to promptly notify the Firm of any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising Tranquilli Financial Advisor's recommendations and/or services.

### **Investment Management Services**

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Tranquilli Financial Advisor manages client investment portfolios on a discretionary basis. Tranquilli Financial Advisor allocates client assets among various independent investment managers ("Independent Managers") in accordance with clients' stated investment objectives. Where appropriate, the Firm also provides advice about any type of legacy position or other investment held in client portfolios, but clients should not assume that these assets are being continuously monitored or otherwise advised on by the Firm unless specifically agreed upon.

Clients can engage Tranquilli Financial Advisor to manage and/or advise on certain investment products that are not maintained at their primary custodian, such as variable life insurance and annuity contracts and assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans). In these situations, Tranquilli Financial Advisor, because it does not take discretion in these accounts, directs or recommends to the client the allocation of assets among the various investment options available with the product. These assets are generally maintained at the underwriting insurance company, or the custodian designated by the product's provider.

Tranquilli Financial Advisor tailors its advisory services to meet the needs of its individual clients and seeks to ensure, on a continuous basis, that client portfolios are managed in a manner consistent with those needs and objectives. Tranquilli Financial Advisor consults with clients on an initial and ongoing basis to assess their specific risk tolerance, time horizon, liquidity constraints and other related factors relevant to the management of their portfolios. Clients are advised to promptly notify Tranquilli Financial Advisor if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients can impose reasonable restrictions or mandates on the management of their accounts if Tranquilli Financial Advisor determines, in its sole discretion, the conditions would not materially impact the performance of a management strategy or prove overly burdensome to the Firm's management efforts.

### **Use of Independent Managers**

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As mentioned above, Tranquilli Financial Advisor selects certain Independent Managers to actively manage a portion of its clients' assets. This is often done through third-party platforms that allow the Firm to choose portfolios for clients that are managed by the Independent Managers.

Tranquilli Financial Advisor evaluates a variety of information about Independent Managers, which includes the Independent Managers' public disclosure documents, materials supplied by the Independent Managers themselves and other third-party analyses it believes are reputable. To the extent possible, the Firm seeks to assess the Independent Managers' investment strategies, past performance, and risk results in relation to its clients' individual portfolio allocations and risk exposure. Tranquilli Financial Advisor also takes into consideration each Independent Manager's management style, returns, reputation, financial

strength, reporting, pricing, and research capabilities, among other factors.

Tranquilli Financial Advisor continues to provide services relative to the discretionary selection of the Independent Managers and the portfolios managed by those Independent Managers. On an ongoing basis, the Firm monitors the performance of those accounts being managed by Independent Managers. Tranquilli Financial Advisor seeks to ensure the Independent Managers' strategies and target allocations remain aligned with its clients' investment objectives and overall best interests.

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.

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

Tranquilli Financial Advisor offers services on a fee basis, which includes fixed and/or hourly fees, as well as fees based upon assets under management. Additionally, certain of the Firm's Supervised Persons, in their individual capacities, offer insurance products under a separate arrangement.

### **Financial Planning and Consulting Fees**

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Tranquilli Financial Advisor charges a fixed and/or hourly fee for providing financial planning and consulting services under a stand-alone engagement. These fees are negotiable, but range from \$1,500 to \$10,000 on a fixed fee basis and/or \$550 on an hourly basis, depending upon the scope and complexity of the services and the professional rendering the financial planning and/or the consulting services. If the client engages the Firm for additional investment advisory services, Tranquilli Financial Advisor may offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

The terms and conditions of the financial planning and/or consulting engagement are set forth in the

Financial Planning Agreement and Tranquilli Financial Advisor requires one-half of the fee (estimated hourly or fixed) payable upon execution of the Advisory Agreement. The outstanding balance is due upon delivery of the financial plan or completion of the agreed upon services. The Firm does not, however, take receipt of \$1,200 or more in prepaid fees more than six months in advance of services rendered.

### **Investment Management Fees**

Tranquilli Financial Advisor offers investment management services for an annual fee based on the amount of assets under the Firm's management. The Total Fee paid is comprised of the TFA Base Fee, which is paid to Tranquilli Financial Advisor, and the Independent Manager Fee, which is paid to the Independent Manager; it varies based on the overall assets under management by the Firm and amount of assets to which the Firm delegates to one or more Independent Managers. The Total Fee is assessed *per account* so, for clients with multiple accounts, account values are not combined to determine the advisory fees paid. The Total Fee may also vary depending on the investment strategy of the Independent Manager to which the Firm delegates assets. For transparency, the Firm provides the following detailed fee schedule showing how the Total Fee is calculated, based on the TFA Base Fee and Independent Manager fees.

#### **Beacon Capital Management**

<b><u>ACCOUNT VALUE</u></b>	<b><u>TFA BASE FEE</u></b>	<b><u>INDEPENDENT MANAGER FEE</u></b>	<b><u>TOTAL FEE</u></b>
Up to \$750,000	1.00%	0.50%	1.50%
\$750,001 - \$1,200,000	0.90%	0.50%	1.40%
\$1,200,001-\$2,200,000	0.75%	0.50%	1.25%
Above \$2,200,000	0.65%	0.50%	1.15%

#### **Horizon Investments**

##### *Portfolio with Risk Assist*

<b><u>ACCOUNT VALUE</u></b>	<b><u>BASE FEE</u></b>	<b><u>INDEPENDENT MANAGER FEE</u></b>	<b><u>TOTAL FEE</u></b>
Up to \$750,000	1.00%	0.65%	1.65%
\$750,001 - \$1,200,000	0.90%	0.65%	1.55%
\$1,200,001-\$2,200,000	0.75%	0.65%	1.40%
Above \$2,200,000	0.65%	0.65%	1.3%

*Portfolio without Risk Assist*

<u>ACCOUNT VALUE</u>	<u>BASE FEE</u>	<u>INDEPENDENT MANAGER FEE</u>	<u>TOTAL FEE</u>
Up to \$750,000	1.00%	0.40%	1.40%
\$750,001 - \$1,200,000	0.90%	0.40%	1.30%
\$1,200,001-\$2,200,000	0.75%	0.40%	1.15%
Above \$2,200,000	0.65%	0.40%	1.05%

**Morningstar**

*ETF Portfolio*

<u>ACCOUNT VALUE</u>	<u>BASE FEE</u>	<u>INDEPENDENT MANAGER FEE</u>	<u>TOTAL FEE</u>
Up to \$750,000	1.00%	0.30%	1.30%
\$750,001 - \$1,200,000	0.90%	0.30%	1.20%
\$1,200,001-\$2,200,000	0.75%	0.30%	1.05%
Above \$2,200,000	0.65%	0.30%	0.95%

*Equities Portfolio*

<u>ACCOUNT VALUE</u>	<u>BASE FEE</u>	<u>INDEPENDENT MANAGER FEE</u>	<u>TOTAL FEE</u>
Up to \$750,000	1.00%	0.50%	1.50%
\$750,001 - \$1,200,000	0.90%	0.50%	1.40%
\$1,200,001-\$2,200,000	0.75%	0.50%	1.25%
Above \$2,200,000	0.65%	0.50%	1.15%

*Blended Stock, Bond and/or ETF Portfolios*

<u>ACCOUNT VALUE</u>	<u>BASE FEE</u>	<u>INDEPENDENT MANAGER FEE</u>	<u>TOTAL FEE</u>
Up to \$750,000	1.00%	0.35%	1.35%
\$750,001 - \$1,200,000	0.90%	0.35%	1.25%
\$1,200,001-\$2,200,000	0.75%	0.35%	1.10%
Above \$2,200,000	0.65%	0.35%	1.00%

The annual fee is prorated and charged monthly, in arrears, based upon the market value of the assets being managed by Tranquilli Financial Advisor on the last day of the previous month, including cash and cash equivalents being managed by the Firm. For the initial period of an engagement, the fee is calculated on a *pro rata* basis. In the event the advisory agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination and the outstanding or unearned portion of the fee is charged or refunded to the client, as appropriate.

Additionally, for asset management services the Firm provides with respect to certain client holdings (e.g., held-away assets, accommodation accounts, alternative investments, etc.), Tranquilli Financial Advisor may negotiate a fee rate that differs from the range set forth above.



Clients are advised that a conflict of interest exists for the Firm to recommend that clients engage Tranquilli Financial Advisor for additional services for compensation, including rolling over retirement accounts or moving other assets to the Firm's management.

Clients retain absolute discretion over all decisions regarding engaging the Firm and are under no obligation to act upon any of the recommendations provided by the Firm regarding a recommendation to rolling over a retirement account to Tranquilli's management or any other asset to the Firm's management. Tranquilli is a fiduciary for purposes of ERISA and will always act in the client's best interest when rendering advice to a retirement account.

### **Fee Discretion**

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Tranquilli Financial Advisor may, in its sole discretion, negotiate to charge a lesser fee based upon, but not limited by, certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing/legacy client relationship, account retention and pro bono activities.

### **Additional Fees and Expenses**

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In addition to the advisory fees paid to Tranquilli Financial Advisor, clients also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks, and other financial institutions (collectively "Financial Institutions"). These additional charges include securities brokerage fees, transaction fees, custodial fees, margin costs, charges imposed directly by a mutual fund or ETF in a client's account, as disclosed in the fund's prospectus (*e.g.*, fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. The Firm's brokerage practices are described at length in Item 12, below.

### **Direct Fee Debit**

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Clients provide Tranquilli Financial Advisor and/or certain Independent Managers with the authority to directly debit their accounts for payment of the investment advisory fees. The Financial Institutions that act as the qualified custodian for client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to Tranquilli Financial Advisor. In most relationships, the Firm will collect the Total Fee and pass through the Independent Managers' fees from the Firm's fee (the Total Fee).

### **Use of Margin**

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Tranquilli Financial Advisor recommends that certain clients utilize margin in the client's investment portfolio or other borrowing. Tranquilli Financial Advisor only recommends such borrowing for non-

investment needs, such as bridge loans and other financing needs. The Firm's fees are determined based upon the value of the assets being managed gross of any margin or borrowing. The practice of recommending the use of margin can create a conflict in that it increases the assets in your account; therefore, it creates an incentive for TFA to encourage you to do this since the more assets there are in your account, the greater our fee. We mitigate this conflict by ensuring that all the recommendations we make are in the best interests of our clients.

### **Account Additions and Withdrawals**

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Clients can make additions to and withdrawals from their account at any time, subject to Tranquilli Financial Advisor's right to terminate an account. Additions can be in cash or securities provided that the Firm reserves the right to liquidate any transferred securities or declines to accept securities into a client's account. Clients can withdraw account assets on notice to Tranquilli Financial Advisor, subject to the usual and customary securities settlement procedures. However, the Firm designs its portfolios as long-term investments, and the withdrawal of assets may impair the achievement of a client's investment objectives. Tranquilli Financial Advisor may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, short-term redemption fees, fees assessed at the mutual fund level (e.g., contingent deferred sales charges) and/or tax ramifications.

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

Tranquilli Financial Advisor does not provide any services for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets).

## **Item 7. Types of Clients**

Tranquilli Financial Advisor offers services to individuals, trusts, estates, charitable organizations, corporations, and business entities.

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

### **Methods of Analysis and Investment Strategies**

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Tranquilli Financial Advisor recommends investments for the following reasons.

*Theory of Investing:* Tranquilli Financial Advisor believes that time will earn money. Tranquilli Financial Advisor wants efficient downside risk.

*Considerations:*

- Client budget
- Type of money (inheritance, retirement, after tax, etc.)
- Risk Profile, if client chooses to complete a Risk Profile, otherwise risk is determined based upon client conversations of risk and investment theory
- Family situation (special needs, extended college costs, etc.)
- Debt
- Goals assessment if the client chooses to engage in the financial planning process

*List of services and deliverables provided to clients:*

- CRM storage of client documents
- Financial Planning software for clients who choose this service
- Review of risk profile with periodic check-ins
- Review of client-held, employer-sponsored retirement plans
- Responsive client service
- Proactive engagement and meeting requests
- Introductions to trusted professionals
- Selection of Independent Managers
- Advice about non-managed investments (out of ordinary advice, rental property, etc.)
- Longevity and succession planning
- Retirement and job change financial analysis

## **Risk of Loss**

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The following list of risk factors does not purport to be a complete enumeration or explanation of the risks involved with respect to the Firm's investment management activities. Clients should consult with their legal, tax, and other advisors before engaging the Firm to provide investment management services on their behalf.

### *Market Risks*

Investing involves risk, including the potential loss of principal, and all investors should be guided accordingly. The profitability of a significant portion of Tranquilli Financial Advisor's recommendations and/or investment decisions may depend to a great extent upon correctly assessing the future course of price movements of stocks, bonds, and other asset classes. In addition, investments may be adversely affected by financial markets and economic conditions throughout the world. There can be no assurance that Tranquilli Financial Advisor will be able to predict these price movements accurately or capitalize on any such assumptions.

### *Volatility Risks*

The prices and values of investments can be highly volatile, and are influenced by, among other things, interest rates, general economic conditions, the condition of the financial markets, the financial condition of the issuers of such assets, changing supply and demand relationships, and programs and policies of governments.

### *Cash Management Risks*

The Firm may invest some of a client's assets temporarily in money market funds or other similar types of investments, during which time an advisory account may be prevented from achieving its investment objective.

### *Mutual Funds and ETFs*

The Independent Managers utilized by the Firm primarily invest client assets in mutual funds and exchange traded funds ("ETFs"). An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (*e.g.*, sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to actual NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed based ETFs and potentially more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 20,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### *Use of Independent Managers*

As stated above, Tranquilli Financial Advisor selects certain Independent Managers to manage its clients' assets. In these situations, Tranquilli Financial Advisor continues to conduct ongoing due diligence of such managers, but such recommendations rely to a great extent on the Independent Managers' ability to successfully implement their investment strategies. In addition, Tranquilli Financial Advisor does not have

the ability to supervise the Independent Managers on a day-to-day basis. The Firm anticipates that the Independent Managers will primarily invest client assets in mutual funds and ETFs but may also invest in other types of securities which (including equities and fixed income products) which will have additional risks specific to those investments.

## **Item 9. Disciplinary Information**

Tranquilli Financial Advisor has not been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of its management.

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

This item requires investment advisers to disclose certain financial industry activities and affiliations.

### **Licensed Insurance Producer**

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One of the Firm's Supervised Persons is also a licensed insurance producer and offers insurance products on a fully disclosed basis to Tranquilli's clients. A conflict of interest exists when a client receives a recommendation to purchase an insurance product through one of Tranquilli Financial Advisor's Supervised Persons who is also compensated directly from the insurance company for the sale of such product. To mitigate this conflict, Tranquilli Financial Advisor has procedures in place whereby it ensures that all recommendations are made in its clients' best interest regardless of any such affiliations. Tranquilli's clients are free to purchase any recommend insurance product through another insurance producer if they so choose.

## **Item 11. Code of Ethics**

Tranquilli Financial Advisor has adopted a code of ethics in compliance with applicable securities laws ("Code of Ethics") that sets forth the standards of conduct expected of its Supervised Persons. Tranquilli Financial Advisor's Code of Ethics contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the Firm or any of its Supervised Persons and the trading by the same of securities ahead of clients in order to take advantage of pending orders.

The Code of Ethics also requires certain of Tranquilli Financial Advisor's personnel to report their personal securities holdings and transactions and obtain pre-approval of certain investments (*e.g.*, initial public offerings, limited offerings). However, the Firm's Supervised Persons are permitted to buy or sell securities that it also recommends to clients if done in a fair and equitable manner that is consistent with the Firm's policies and procedures. This Code of Ethics has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by certain personnel to be completed without any appreciable impact on the markets of such securities. Therefore, under limited circumstances, exceptions

may be made to the policies stated below.

When the Firm is engaging in or considering a transaction in any security on behalf of a client, no Supervised Person with access to this information may knowingly effect for themselves or for their immediate family (i.e., spouse, minor children and adults living in the same household) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the Supervised Person is completed as part of a batch trade with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by money market funds; and iv) shares issued by other unaffiliated open-end mutual funds.

Clients and prospective clients may contact Tranquilli Financial Advisor to request a copy of its Code of Ethics.

## **Item 12. Brokerage Practices**

### **Recommendation of Broker-Dealers/Custodians for Client Transactions**

Tranquilli Financial Advisor recommends clients use Axos Clearing LLC, doing business as Axos Advisor Services ("Axos"), as their custodian for investment management accounts. The decision to custody assets with Axos is the client's, including those accounts under ERISA or IRA rules and regulations, in which case the client is acting as either the plan sponsor or IRA accountholder. Tranquilli Financial Advisor is independently owned and operated and not affiliated with Axos. Axos provides Tranquilli Financial Advisor with access to its institutional trading and custody services, which are typically not available to retail investors.

Factors Tranquilli Financial Advisor considers in recommending a broker-dealer or custodian to clients include their respective financial strength, reputation, execution, pricing, and service. Axos enables the Firm to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The transaction and other brokerage fees charged by Axos may be higher or lower than those charged by other Financial Institutions.

The fees paid by Tranquilli Financial Advisor's clients to Axos comply with the Firm's duty to obtain "best execution." Clients may pay fees that are higher than another qualified Financial Institution might charge to effect the same transaction where Tranquilli Financial Advisor determines that the costs are reasonable

in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is whether the transaction represents the best qualitative execution, taking into consideration the full range of a Financial Institution's services, including among others, the value of research provided, execution capability, transaction rates and responsiveness, not the lowest cost. Tranquilli Financial Advisor has negotiated pricing for clients. There is typically an asset-based fee as well as transaction-based fees charged by Axos for certain types of securities. While the Firm does not have a minimum fee or asset level to be engaged as an adviser, Axos has a minimum quarter asset fee of \$25 for each account custodied at Axos. Asset-based fees charged by Axos to clients may be offset where assets held in mutual funds are part of the Axos Custody Advantage Program. The Firm does not consider this to be a conflict of interest because the Firm does not receive any benefit for securities held in, or outside of, the Custody Advantage Program.

Consistent with obtaining best execution, brokerage transactions are directed to certain broker-dealers in return for investment research products and/or services which assist Tranquilli Financial Advisor in its investment decision-making process. Such research will be used to service all the Firm's clients, but transaction costs paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because Tranquilli Financial Advisor does not have to produce or pay for the products or services.

Tranquilli Financial Advisor periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to obtain best execution.

### **Software and Support Provided by Financial Institutions**

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Tranquilli Financial Advisor receives without cost from Axos administrative support, computer software, related systems support, as well as other third-party support, as further described below (together "Support"), that allow Tranquilli Financial Advisor to better monitor client accounts maintained at Axos and otherwise conduct its business. Tranquilli Financial Advisor receives the Support without cost because it renders investment management services to clients who maintain assets at Axos and not in connection with securities transactions of clients (i.e., not "soft dollars"). The Support benefits Tranquilli Financial Advisor, but not its clients directly. Clients should be aware that Tranquilli Financial Advisor's receipt of economic benefits, such as the Support, creates a conflict of interest since these benefits may influence the Firm's choice of a financial institution over another that does not furnish similar software, systems support or services, especially because the support is contingent upon clients placing a certain level(s) of assets at Axos. In fulfilling its duties to its clients, Tranquilli Financial Advisor mitigates this conflict by always seeking the best execution for transactions and putting the interests of its clients first.

Specifically, Tranquilli Financial Advisor receives from Axos: i) receipt of duplicate statements; ii) access to a trading desk that exclusively services its institutional traders; iii) access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; iv) access to a portfolio management system; and v) access to an electronic communication network for client order entry and account information. The Firm may also receive other support from Axos.

## **Brokerage for Client Referrals**

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Tranquilli Financial Advisor does not consider, in selecting or recommending broker-dealers, whether the Firm receives client referrals from the Financial Institutions or other third party.

## **Directed Brokerage**

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The client may direct Tranquilli Financial Advisor in writing to use a particular Financial Institution to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that Financial Institution and the Firm will not seek better execution services or prices from other Financial Institutions or be able to “batch” client transactions for execution through other Financial Institutions with orders for other accounts managed by Tranquilli Financial Advisor (as described above). As a result, the client may pay higher transaction costs, greater spreads or may receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, Tranquilli Financial Advisor may decline a client’s request to direct brokerage if, in the Firm’s sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

## **Trade Aggregation**

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Transactions for each client will be effected independently, unless Tranquilli Financial Advisor decides to purchase or sell the same securities for several clients at approximately the same time. Tranquilli Financial Advisor may (but is not obligated to) combine or “batch” such orders to obtain best execution, to negotiate more favorable transaction costs or to allocate equitably among the Firm’s clients differences in prices or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and allocated among Tranquilli Financial Advisor’s clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that the Firm determines to aggregate client orders for the purchase or sale of securities, including securities in which Tranquilli Financial Advisor’s Supervised Persons may invest, the Firm does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. Tranquilli Financial Advisor does not receive any additional compensation or remuneration as a result of the aggregation.

In the event that the Firm determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account’s assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro



rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, the Firm may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

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

### **Account Reviews**

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Tranquilli Financial Advisor reviews client accounts on at least a quarterly basis. The Firm may review accounts more frequently at a Client's request or if there are triggering factors such as major changes in market conditions or client circumstances. Such reviews are conducted by the Firm's Principal and/or investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with Tranquilli Financial Advisor and to keep the Firm informed of any changes thereto.

### **Account Statements and Reports**

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Clients are provided with transaction confirmation notices and regular summary account statements directly from the Financial Institutions where their assets are custodied. From time-to-time or as otherwise requested, clients may also receive written or electronic reports from Tranquilli Financial Advisor and/or an outside service provider, which contain certain account and/or market-related information, such as an inventory of account holdings or account performance. Clients should compare the account statements they receive from their custodian with any documents or reports they receive from Tranquilli Financial Advisor or an outside service provider.

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

### **Client Referrals**

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The Firm does not currently provide compensation to any third-party solicitors for client referrals.

### **Other Compensation**

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The Firm receives economic benefits from Axos. The benefits, conflicts of interest, and how such conflicts of interest are addressed are discussed above in response to Item 12.

## **Item 15. Custody**

Tranquilli Financial Advisor is deemed to have custody of client funds and securities because the Firm is

given the ability to debit client accounts for payment of the Firm's fees (the Total Fee). As such, client funds and securities are maintained at one or more Financial Institutions that serve as the qualified custodian with respect to such assets. Such qualified custodians will send account statements to clients at least once per calendar quarter that detail any transactions in such account for the relevant period.

In addition, as discussed in Item 13, Tranquilli Financial Advisor may also send, or otherwise make available, periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the Financial Institutions and compare them to those received from Tranquilli Financial Advisor.

Tranquilli Financial Advisor also has constructive custody of assets to the extent it uses Standing Letters of Authorizations ("SLOAs") for third-party money movement. Tranquilli Financial Advisor relies upon the guidance set forth in the SEC's No-Action Letter of February 21, 2017, and maintains records as set forth in that letter to avoid the need for a surprise annual examination of these accounts.

## **Item 16. Investment Discretion**

Tranquilli Financial Advisor is given the authority to exercise discretion on behalf of clients. Tranquilli Financial Advisor is considered to exercise investment discretion over a client's account if it can effect and/or direct transactions in client accounts without first seeking their consent. Tranquilli Financial Advisor is given this authority in the agreement between Tranquilli Financial Advisor and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). Tranquilli Financial Advisor takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made; and
- The Independent Managers to be hired or fired.

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

Tranquilli Financial Advisor does not accept the authority to vote a client's securities (i.e., proxies) on their behalf. Clients receive proxies directly from the Financial Institutions where their assets are custodied and may contact the Firm at the contact information on the cover of this brochure with questions about any such issuer solicitations.

## **Item 18. Financial Information**

Tranquilli Financial Advisor is not required to disclose any financial information due to the following:

- The Firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered;
- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.