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**Part 2A of Form ADV**  
**Item 1 - Firm Brochure Cover Page**

**August 10, 2023**

This brochure provides information about the qualifications and business practices of NBT Capital Management, Inc. If you have any questions about the contents of this brochure, please contact us at (607) 584-4141 or by email at [mail@nbtcapm.com](mailto:mail@nbtcapm.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. References herein to NBT Capital Management, Inc. as a registered investment advisor, or any reference to being registered, does not imply a certain level of skill or training.

Additional information about NBT Capital Management, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

NBT Capital Management, Inc.

## Item 2 - Material Changes

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### Annual Update

NBT Capital Management, Inc. (“NBTCM”), a wholly owned subsidiary of NBT Bancorp (NASDAQ: NBTB), is a Registered Investment Advisor (RIA) firm which is subject to the rules and regulations of the Securities and Exchange Commission (SEC). Registration with the SEC is not meant to imply that NBTCM is endorsed by the SEC. SEC requirements stipulate that we provide clients with a Firm Brochure in narrative, “plain English” format. The governing rule specifies mandatory sections to be included in for the brochure which provide information about the qualifications and business practices of registered advisory firms such as NBTCM.

The brochure must be reviewed by us at least annually, updated if necessary, and filed with the SEC within ninety (90) days of the end of our fiscal year (December 31<sup>st</sup>). The same procedure must be followed on an interim basis if there have been any Material Changes to the brochure since its previous update and filing with the SEC. The most recent annual update of the NBTCM brochure was prepared and filed with the SEC in March 2023 and Material Changes notices provided to existing clients, if necessary.

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### Material Change Notice

The NBTCM Disclosure Document and Brochure Supplement have been reviewed by Firm management in accordance with SEC requirements. As determined by that review, the following Material Changes have occurred since its last amended submission in March 2023:

In the event that other significant changes should occur prior to the Firm’s next annual review, NBTCM will forward to its clients copies of this Material Changes Section outlining those changes.

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### Full Brochure Available

Form ADV Part 2A serves as the Disclosure Document for NBT Capital Management, Inc., as an SEC-registered investment advisory firm, and is available at any time upon request. A Brochure Supplement, known as Form ADV Part 2B, discloses the professional histories and qualifications of our advisors and is offered as a separate document. Form ADV Part 3 provides additional information to assist prospective or existing clients in their considerations of utilizing the services provided by NBTCM. While we offer these documents to our clients each year in a separate mailing, they may be requested at any time by contacting Todd Wilcox, the Firm’s Chief Compliance Officer, either by telephone at (607) 337-6421 or by email at [twilcox@nbtbank.com](mailto:twilcox@nbtbank.com). NBT Capital Management, Inc. will provide its clients with its most current Disclosure Document and/or Brochure Supplement at any time, without charge.

## Item 3 - Table of Contents

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## Item 4 - Advisory Business

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### Firm Description

NBT Capital Management, Inc., hereinafter referred to as NBTCM or the Firm, is a Registered Investment Advisory firm, registered with the Securities and Exchange Commission. NBTCM is a privately held corporation and a wholly owned subsidiary of NBT Bancorp, which is headquartered in Norwich, New York.

Effective April 1, 2020, EPIC Advisors, Inc., a wholly owned subsidiary of NBT Bancorp, acquired substantially all of the assets of ABG Retirement Plan Investment Services, a subsidiary of Alliance Benefit Group of Illinois, Inc. (ABGIL), an SEC registered advisor that conducted business under the ABG Retirement Plan Investment Services name, providing investment advisory services to plan sponsors and trustees of qualified and non-qualified retirement plans. The acquisition included the assignment of client agreements from ABGIL to EPIC. As part of this transaction, the assets and clients of ABGIL were then immediately transferred to NBTCM. In addition, NBTCM acquired the DBA name of ABG Retirement Plan Investment Services.

On April 1, 2022, NBT Bank's subsidiary, EPIC Retirement Plan Services, completed the acquisition of Cleveland Hauswirth Investment Management ("CH"). CH is a Registered Investment Advisor located in Milwaukee, WI with \$150 million in assets under management that provides investment advice and fiduciary services to over 70 individual and corporate retirement plan clients. All assets of CH were transferred to NBTCM.

Moving forward, NBTCM will provide different services under the NBTCM name, ABG Retirement Plan Investment Services, and Cleveland Hauswirth Investment Management names.

### ABG Retirement Plan Investment Services

NBTCM will provide services to plan trustees and plan investment committees under the ABG Retirement Plan Investment Services name (hereinafter referred to as ABG Retirement). These services will include both fiduciary and non-fiduciary services. ABG Retirement's fiduciary services will focus primarily on providing investment advice to plan trustees and plan investment committees with respect to the selection and monitoring of funds that are offered by a plan to its participants. Where appropriate and so elected by the client, these services may also include Investment Manager functions under ERISA Section 3(38). Non-fiduciary services may include the development of written Investment Policy Statements, establishing procedures for a plan's Investment Committee, plan participant education functions, and/or assistance with specific vendor selections.

## Cleveland Hauswirth Investment Management

NBTCM will provide services to retirement plans and individuals under the Cleveland Hauswirth Investment Management name (hereinafter referred to as CH or Cleveland Hauswirth). Cleveland Hauswirth was founded in 1995 under the original name of Maier Hauswirth Investment Advisors, LLC. CH specializes in providing personalized, investment advisory services to retirement plans including 401(k) plans, profit sharing plans and defined benefit plans. CH also provides advisory services to individuals with portfolios of mutual funds, stocks and bonds. An asset-based fee is charged for services. CH does not sell investment products for commission.

## NBTCM Services

NBTCM has historically provided and will continue to provide traditional investment advisory services inclusive of personalized confidential financial planning, asset management and related consulting services to individuals, high net worth individuals, pension and profit-sharing plans, trusts, charitable organizations and small businesses. Recommendations to clients are made based on consultation with the client and analysis of each client's specific financial needs and may include the following focused services:

|                                       |                                      |
|---------------------------------------|--------------------------------------|
| Determination of financial objectives | Identification of financial problems |
| Cash flow management                  | Tax planning                         |
| Insurance review                      | Investment management                |
| Education funding                     | Retirement planning                  |
| Estate planning                       |                                      |

Within the context of providing these services, clients may place restrictions on the types of securities to be held within their portfolios but may cede general investment discretion authority to their advisor. NBTCM, at this time, does not offer its clients wrap fee programs. Wrap programs charge a single consolidated advisory fee for an investment program that bundles together a suite of services, such as brokerage, advisory, research and management. Investment advisory services may be provided to clients on either a discretionary or non-discretionary basis.

In addition to the traditional investment advisory services referenced above, NBTCM offers a digital or automated investment program ("Digital Program") through which clients are invested in a range of investment strategies we have constructed and manage, each consisting of a portfolio of exchange-traded funds ("Funds") and a cash allocation. The client may instruct us to exclude up to three Funds from their portfolio. The client's portfolio is held in a brokerage account opened directly by the client at Charles Schwab & Co., Inc. ("CS & Co"). We use the Institutional Intelligent Portfolios® platform ("Platform"), offered by Schwab Performance Technologies ("SPT"), a software provider to independent investment advisors and an affiliate of CS & Co., to

operate the Digital Program. NBTCM is independent of and not owned by, affiliated with, sponsored by or supervised by SPT, CS & Co., or their affiliates (together, “Schwab”). NBTCM, and not Schwab, is the client’s investment advisor and primary point of contact with respect to the Digital Program. NBTCM, not Schwab, is solely responsible for determining the appropriateness of the Digital Program for the client, choosing a suitable investment strategy and portfolio for the client’s investment needs and goals, and managing that portfolio on an ongoing basis.

We have contracted with SPT to provide us with the Platform, which consists of technology and related trading and account management services for the Digital Program. The Platform enables us to make the Digital Program available to clients online and includes a system that automates certain key parts of our investment process (the “System”). The System includes an online questionnaire that can help the client define their respective investment objectives, risk tolerance and an appropriate investment strategy and portfolio model. A client may indicate an interest in a portfolio that is more conservative or more aggressive than the recommended portfolio. With the assistance of an advisor, the client may elect to implement such an action consistent with their suitability parameters and constraints of the System. The System also includes an automated investment engine through which the client’s portfolio is managed on an ongoing basis through automatic rebalancing and tax-loss harvesting (if the client is eligible and elects). We will be sunsetting this program in 2023. Active clients currently in the program will be contacted about steps to move their account.

We charge clients a fee for our digital advisory services option, as described below under

**Item 5 Fees and Compensation.** These fees are not set or supervised by Schwab. Clients do not pay brokerage commissions or any other fees to CS & Co. as part of the Digital Program. Schwab does receive other revenues, including:

- (i) The profit earned by Charles Schwab Bank, a Schwab affiliate, on the allocation to the Schwab Intelligent Portfolios Sweep Program described in the Schwab Intelligent Portfolios Sweep Program Disclosure Statement;
- (ii) Investment advisory and/or administrative service fees (or Institutional Intelligent Portfolios® Rev. 2019.01 32 unitary fees) received by Charles Schwab Investment Management, Inc., a Schwab affiliate, from Schwab ETFs™ Schwab Funds® and Laudus Funds® that we select to buy and hold in the client’s brokerage account;
- (iii) Fees received by Schwab from third-party ETFs that participate in the Schwab ETF OneSource™ program and mutual funds in the Schwab Mutual Fund Marketplace® (including certain Schwab Funds and Laudus Funds) in the client’s brokerage account for services Schwab provides; and
- (iv) Remuneration from the market centers where Schwab routes ETF trade orders for execution.



NBTCM does not pay fees to SPT for the Platform so long as we maintain \$100 million in client assets in accounts at CS & Co. that are not enrolled in the Digital Program. If we do not meet this condition, then NBTCM will pay SPT an annual licensing fee of 0.10% (10 basis points) on the value of our clients' assets in the Digital Program. This fee arrangement gives us an incentive to recommend or require that our clients with accounts not enrolled in the Digital Program be maintained with CS & Co. This incentive may pose a real or perceived conflict of interest to our clients and is, therefore, disclosed here accordingly.

In all services provided, NBTCM does not act as a custodian of client assets, opting instead to utilize the services of the following outside custodial firms at this time:

- Charles Schwab & Co., previously referred to herein as Schwab, an independent and unaffiliated SEC-registered broker/dealer and a member of FINRA/SIPC/NFA;
- TD Ameritrade Institutional, hereinafter referred to as TD Ameritrade, an independent and unaffiliated SEC-registered broker/dealer and a member of FINRA/SIPC;
- TIAA-CREF Individual & Institutional Services LLC, an independent, unaffiliated SEC-registered broker/dealer and a member of FINRA/SIPC.
- Fidelity Investments Inc, hereinafter referred to as Fidelity, an independent and unaffiliated SEC-registered broker/dealer and a member of FINRA/SIPC
- LPL Financial Holdings, Inc, hereinafter referred to as LPL Financial, an independent and unaffiliated SEC- registered broker/dealer and a member of FINRA/SIPC

NBTCM may, to better serve specific client needs, elect to use the services of other custodians as well, at its discretion. The clients always maintain control of their assets but may authorize NBTCM to transact trades on their behalf, without prior consultation, by the discretion authorization contained in a discretionary advisory agreement executed with the Firm.

A written evaluation of each client's initial situation is prepared prior to the commencement of services. Periodic account review summaries may also be provided to clients as reminders of the specific courses of action that need to be taken. More frequent reviews may occur but are not necessarily communicated to clients unless immediate changes are to be recommended.

Other professionals (e.g., lawyers, accountants, insurance agents, etc.) may be engaged directly by either the client or NBTCM, on an as-needed basis. Potential conflicts of

interest resulting from such outside referrals and/or engagements will be immediately disclosed to the client in the unlikely event they should or potentially could occur.

The initial discovery meeting with new clients, which may be either in-person or by telephone, is free of charge and is considered an exploratory interview to determine the extent to which financial planning and/or investment management services offered by NBTCM may be beneficial to the client.

As of December 31, 2022, NBTCM had approximately \$1,209,335,725 in assets under management for 641 advisory clients with approximately \$960,544,249 managed on a discretionary basis and approximately \$ 248,791,476 managed on a non-discretionary basis

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**Principal Owners**

As previously stated, NBTCM is wholly owned by NBT Bank, N.A. of Norwich, New York. NBT Bank, N.A. currently holds 100% ownership of NBTCM stock.

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**Types of Advisory Services**

NBTCM provides traditional investment advisory services, also known as asset management services, as well as financial planning and consultative services to its clients. NBTCM also offers a digital investment advisory service.

- Asset management services may entail the active or passive management of investment accounts, furnishing of investment advice through consultations with clients, issuing periodic newsletters or special reports to its clients about securities and market conditions or trends and evaluating securities held by clients to foster an understanding of their assets relative to their stated goals and objectives.
- Financial planning services are provided to clients to assist them in pursuing both short- and long-range financial goals. This is accomplished through a process of collecting client information about the client's current financial condition, clarification of their goals, identification of their past efforts and current abilities in pursuit of their goals and ongoing progress reviews relative to any actions taken.
- On more than an occasional basis, NBTCM may furnish consulting services to clients on matters not involving securities, such as taxation, trust management and estate planning. However, the Firm does not act in the capacity as a tax or legal advisor to its clients.
- As noted above, NBTCM offers a digital advisory service platform. Clients utilizing this option are allowed a high degree of self-direction in the structuring of their investment portfolio through the selection of established models while retaining the assistance of a professional investment advisor who will provide the following advisory services:

- (i) An evaluation of the client's investment objectives and risk tolerance level.
- (ii) Implementation of an investment program using Exchange-Traded Funds (ETF's); and
- (iii) An adviser will be available to meet with the client upon request to discuss client's account and other financial matters, which may affect the managing of the client's account.

The Firm is compensated for its advisory services to clients through asset management fees, fixed fees or hourly fees as determined by the types of services elected by the clients.

NBTCM under the ABG Retirement name offers non-fiduciary and fiduciary services to both qualified and non-qualified retirement plans. Non-fiduciary services include development of a written Investment Policy Statement, assistance in establishing procedures for the Plan's Investment Committee, education of Plan Participants and assistance with other vendor services. Fiduciary services include advice regarding investment alternatives, analysis, and fund monitoring services. ABG Retirement will provide discretionary investment management services as described under ERISA Section 3(38) to clients who elect this service as set forth in the Agreement.

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### **Tailored Relationships**

The goals and objectives for each client are documented at the onset of services. Investment strategies are then created that reflect the stated goals and objectives of each client. Clients may impose restrictions on investing in certain securities or types of securities, with the understanding that such restrictions may impair the Firm's pursuit of a client's management objectives.

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### **Types of Agreements**

Prior to engaging NBTCM's services, clients are required to sign an agreement which defines the services that will be provided by the Firm. The following agreements define the typical client relationships between NBTCM and its clients. Agreements may not be assigned or transferred to parties other than the original clients entering into the agreements. Since NBTCM does not maintain custody of client assets, however, separate agreements may also need to be executed between custodial firms and the client, in addition to the agreements of the Firm described below. Since neither NBTCM nor its advisors act as attorneys, their recommendations should not be interpreted as legal advice.

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## **Financial Planning and Consulting Service Agreement**

Planning or consulting service clients are required to sign a Financial Planning and Consulting Service Agreement with the Firm. This agreement outlines the nature and level of advisory services to be provided, without requiring the direct management of the client's assets.

For financial planning clients, information regarding a client's personal and financial situation and objectives is collected by the advisor through a confidential interview process. This data is analyzed and a written financial plan, with specific recommendations, is presented to clients if and when appropriate to do so.

The financial plan may include, but is not limited to a net worth statement, a cash flow statement, a review of investment accounts including reviewing past asset allocations, providing asset repositioning recommendations, strategic tax planning, education planning with funding recommendations, a review of retirement accounts and plans including recommendations and one or more retirement scenarios, a review of insurance policies and recommendations for changes, if necessary and an estate planning review and recommendations.

As previously stated, the Firm does not provide legal or accounting advice relative to its financial plans. It will, however, act as a facilitator in these areas between clients and their legal and/or tax advisors relative to the recommendations made in a financial plan.

Detailed investment advice and specific recommendations are provided as part of a financial plan. Implementation of the recommendations is at the discretion of the client and may be implemented with either NBTCM or with a financial advisor of the client's choosing.

Consulting services may be provided to clients regarding other financial-related concerns in situations where detailed or comprehensive financial planning is either not necessary or not desired. Common areas of concern addressed by these services include:

|   |                             |
|---|-----------------------------|
| Education planning                          | Simple investment planning  |
| Death, disability and retirement planning   | Tax planning                |
| Net worth, cash flow and financial position | Risk management (insurance) |
| Other investment or non-investment issues   | Estate planning             |

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## **Investment Management Agreement**

Most clients choose to have NBTCM manage their assets in order to obtain ongoing in-depth advice and life planning. These clients are required to sign an Investment Management Agreement which defines the manner in which their assets will be managed and the fees assessed by the Firm. The scope of work and fee for an

Investment Management Service Agreement is provided to the client in writing prior to the start of the relationship. This Agreement includes the following services:

- An evaluation of the client's present portfolio and a determination of the client's investment objectives and risk tolerance level;
- Selection of the components of an investment portfolio based on the client's individual facts and circumstances;
- Implementation, monitoring and rebalancing of the portfolio through the purchase and sale of securities such as no-load mutual funds, exchange-traded funds, individual equities and other securities that we deem appropriate for the situation;
- Quarterly performance reports;
- A periodic review of the client's portfolio allocation; and
- An update of the client's personal financial information, goals and objectives to determine if any changes in the portfolio design are warranted.

Based on each client's objectives and suitability factors identified in their suitability documents, the advisor will develop a plan with each client that focuses on capital preservation, income generation, growth of principal, speculation or a combination of two or more objectives. All aspects of the client's financial affairs are reviewed, including those of their dependents, if any. Realistic and measurable goals are set and objectives to reach those goals are defined. As goals and objectives change over time, suggestions are made and implemented on an ongoing basis.

Asset management services may be provided on either a discretionary or non-discretionary basis. Under the terms of our discretionary agreement, clients authorize the advisor to buy, sell, invest, reinvest, exchange and/or trade securities in their accounts at his/her sole discretion and without consulting with the client in advance. Non-discretionary accounts require the advisor to consult with the client to gain consent and approval prior to engaging in any of these trading activities on the client's behalf.

NBTCM's standard investment management fee for non-ABG Retirement clients is based on a percentage of the client's investable assets under management by the Firm according to the following schedule:

1.00% on the first \$1,000,000  
 $\frac{3}{4}$  of 1% on everything over 1,000,000

NBTCM will assess these clients a minimum annual fee of \$500 when applicable.

Fees are billed quarterly in arrears and deducted directly from clients' advisory accounts by the account custodian, unless otherwise agreed to (i.e. direct invoicing to the client by NBTCM). Clients electing the Firm's digital platform are assessed an annual fee of 0.60% (0.05% per month) of the assets invested in the digital platform models.

These fee structures may be negotiable, at the discretion of the advisor, based on potential deviations from our standard Investment Management Agreement services. Current client relationships may exist where the fees are higher or lower than the fee schedules above due to desired deviations in the standard service structure or because a prior fee schedule has been "grandfathered" due to our long-term relationship with the client.

On the LPL platform, clients pay LPL and its IAR's an annual account fee for advisory services. The account fee is negotiable between the client and the IAR and is set out in the Account Application. The account fee is typically a straight percentage based on the value of all assets in the account, including cash holdings. Upon request, the account fee may be structured on a tiered basis and/ or grouped basis, with a reduced percentage rate based on reaching certain thresholds in the account or in a group of eligible advisory accounts. The account fee is paid to LPL and is shared between LPL and the IAR. The account fee is paid to LPL, and LPL retains up to .20% of the account fee, which is not shared with the IAR, for its administrative services. LPL shares up to 100% (typically between 90% and 100%) of the remaining portion of the account fee with the IAR based on the agreement between LPL and the IAR.

#### Cleveland Hauswirth Investment Management Agreement

CH advisory services are delivered from the Registered Investment Advisor platform. CH performs many tasks on a discretionary basis and as a fiduciary, acting in the best interest of our clients. Individual clients enter into a discretionary relationship where CH takes full responsibility to execute a pre-determined client objective. The Investment Management Agreement describes CH services, investment restrictions if any, the fee to be charged and method of fee payment chosen. A retirement plan Investment Management Agreement acknowledges CH as a Fiduciary of the plan under Sections 3(21) and 3(38) of the Employee Retirement Income Security Act (ERISA). This means we take on the role and duties of a plan's Investment Fiduciary. It also outlines services and responsibilities to the plan sponsor and the plan, describes the fee to be charged and the method of fee payment chosen. Agreements may not be assigned to another entity without your consent

Assets are invested primarily in no-load mutual funds. Multiple mutual fund strategies are combined in a portfolio to follow an individual client's investment objective.

Retirement plans use multiple mutual fund strategies, stable value funds and money market funds. Other investment tools we may use or offer advice on include: exchange traded funds, equity securities (stocks), corporate debt securities (bonds), certificates of deposit, municipal securities, U.S. government securities

Cleveland Hauswirth bases its fees on a percentage of assets under management. CH uses no-load mutual funds and other securities we can buy that do not have commission payments attached. CH may from time to time provide consulting services to clients and charge \$200 to \$250 per hour, with clerical support billed at \$50 per hour. Services may also be provided on a negotiated, fixed fee basis. Fees are negotiable. Annual Fee Schedule – Individual Clients \$0 to \$1,000,000 1.00% \$1,000,001 to \$2,500,000 0.80% \$2,500,001 and over 0.60% Annual Fee Schedule – 401(k) or Other Qualified Plan Assets Fee as a Percentage of Assets \$0 to \$1,000,000 0.75% \$1,000,001 to \$2,500,000 0.65% \$2,500,001 to \$5,000,000 0.55% \$5,000,001 and over 0.45% or negotiated rate Minimum Annual Fee - \$2,500. Management fee will be calculated using one rate that represents the value of total relationship assets (as opposed to a tiered method).

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### **Retirement Planning Consulting Agreement**

ABG Retirement provides investment management services as a 3(38) investment manager under an Investment Management & Retirement Plan Consulting Agreement and fiduciary services as a 3(21) fiduciary under an Investment Fiduciary & Retirement Plan Consulting Agreement (collectively “Retirement Plan Consulting Agreements”). The scope of work and fee for a Retirement Plan Consulting Agreement is provided to the client in writing prior to the start of the relationship. This Agreement includes the following services:

- Investment (typically mutual fund or collective investment fund) research geared towards advising a plan trustee or the plan’s investment committee on the selection of an appropriate investment menu;
- Quarterly monitoring of a plan’s investment performance, expenses, management tenure, style drift and other relevant mutual fund factors; and
- Periodic group and individual meetings with plan participants to provide information on plan provisions, investment education and assistance with enrolling in the plan.

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### **Non-Fiduciary Retirement Plan Consulting Agreement**

ABG Retirement provides non-fiduciary services to its clients. Non-fiduciary services included development of a written Investment Policy Statement, education of Plan Participants, and ongoing assistance with other vendor services.

Our standard Investment Management & Retirement Plan Consulting fee and Non-Fiduciary Retirement Plan Consulting fee may be based on a percentage of plan assets,

a flat fee or a combination of both. The fee structure for each client depends on the services desired, complexity of the overall plan, demographics of the participant group, geographic location(s) and other factors unique to the client and the services provided. Fees may be paid by the plan sponsor (i.e. employer), the plan participants or a combination of both according to ERISA rules and regulations. ABG Retirement clients are billed quarterly, either in advance or in arrears, as agreed to in their Respective asset management agreement. Fees generally range from 10 to 100 basis points and are negotiated on an individual basis and can include a negotiated minimum annual fee. Annual asset-based fees can at times exceed this range, such as if a client's agreement includes a minimum fee.

Fees may be negotiable at the discretion of ABG Retirement, based on client specific facts and circumstances, and subject to CCO approval. Full disclosure is provided to plan participants regarding fees assessed to them.

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### **Termination of Agreements**

ABG Retirement clients may terminate their existing service agreement by providing 30 days advanced written notice to ABG Retirement. A client may terminate any other existing service agreement at any time by notifying NBTCM, ABG Retirement or Cleveland Hauswirth in writing. For Cleveland Hauswirth clients the termination will become effective 10 business days from receipt for individual client and 30 days from a retirement plan client. A final fee may be assessed based on the number of days that have elapsed during the current quarter for investment management services or on the amount of time already spent on retirement planning or Retirement Plan advisory services prior to NBTCM's receipt of notification of termination from the client. NBTCM may also terminate any existing service agreement at any time by notifying the client in writing.

In addition, NBTCM reserves the right to terminate any advisory engagement where a client has willfully concealed or has refused to provide pertinent information about financial situations when necessary and appropriate, in NBTCM's judgment, to providing proper financial advice.

## **Item 5 - Fees and Compensation**

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### **Description of Fees**

Within its traditional advisory services platform, NBTCM bases its fees on the Following methods, depending upon the nature and complexity of the service being provided:

- A percentage of Assets Under Management (AUM);
- A fixed one-time project fee; • Flat recurring retainer fees; and/or



- Hourly Fees.

Actual fee schedules were cited previously in the Types of Agreements section. As also previously stated, fees may be negotiable and subject to change for a client as the scope and complexity of services increase or decrease over time.

Within the Firm's digital advisory platform previously described in **Item 4 Advisory Business**, clients do not pay fees to SPT or brokerage commissions or other fees to CS & Co. as part of the Digital Program. Schwab does receive other revenues, including (i) the profit earned by Charles Schwab Bank, a Schwab affiliate, on the allocation to the Schwab Intelligent Portfolios Sweep Program described in the Schwab Intelligent Portfolios Sweep Program Disclosure Statement; (ii) investment advisory and/or administrative service fees (or unitary fees) received by Charles Schwab Investment Management, Inc., a Schwab affiliate, from Schwab ETFs™ Schwab Funds® and Laudus Funds® that we select to buy and hold in the client's brokerage account; (iii) fees received by Schwab from third-party ETFs that participate in the Schwab ETF OneSource™ program and mutual funds in the Schwab Mutual Fund Marketplace® (including certain Schwab Funds and Laudus Funds) in the client's brokerage account for services Schwab provides; and (iv) remuneration Schwab may receive from the market centers where it routes ETF trade orders for execution. Brokerage arrangements are further described below in **Item 12 Brokerage Practices**.

Some investment adviser representatives of NBTCM are also associated with LPL Financial as broker-dealer Registered Representatives ("dually registered persons"). In their capacity as Registered Representatives of LPL Financial, these dually registered persons may earn commissions for the sale of securities or investment products that they recommend for brokerage clients. They do not, however, earn commissions on the sale of securities or investment products recommended or purchased in advisory accounts through NBTCM. Clients have the option of purchasing many of the securities and investment products available through LPL Financial through another broker-dealer or investment advisor should they choose to do so.

ABG Retirement basis its fees on a percentage of assets under management, hourly charges, and participant statistics.

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## **Fee Billing**

Fees for Investment Management and Retirement Plan Consulting and Advisory Services provided by NBTCM are billed quarterly, in arrears, meaning that we invoice clients after a three-month billing period has ended, as opposed to in advance at the beginning of a billing period. Payment in full is expected upon invoice presentation. Fees are usually deducted from a designated client account, with the consent of the client, to facilitate billing efficiencies. Fees for Retainer Services are billed quarterly, in arrears.

ABG Retirement clients are billed quarterly, either in advance or in arrears, as agreed to in their Respective asset management agreement. Fees may be paid by the plan sponsor (i.e. employer), the plan participants or a combination of both according to ERISA rules and regulations.

Cleveland Hauswirth investment management fees are billed quarterly in advance, meaning that we invoice clients at the beginning of the three-month billing period. Fees for the quarter are based on the value of the individual account or qualified plan on the last day of the previous calendar quarter. Payment in full is expected upon invoice presentation. The invoice will show the amount of the fee and the value of the assets on which the fee was calculated. Fees may be billed to clients directly or may be deducted from a designated investment account or retirement plan assets.

Clients must consent in advance to direct debiting of your investment account by initialing your billing preference in the Investment Management Agreement.

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### **Other Fees**

Costs and expenses typically borne by a client relating to its portfolio investments include: brokerage fees, commissions and other related trading, execution, and settlement related costs and fees; custodial fees; wire fees, banking fees, interest incurred on borrowings, if any; dividends paid on securities sold short, governmental charges, taxes and duties; transfer fees, registration fees; interest expenses; withholding taxes; other expenses associated with buying, selling or holding investments; and other costs associated with such account. These fees will be paid by the client directly to the client-designated custodian, broker-dealer, bank, or other third party, as applicable.

Custodians used by NBTCM, such as Schwab, may charge transaction fees on purchases or sales of certain securities, including mutual funds and exchange-traded funds. These transaction charges, if assessed, are usually small and incidental to the purchase or sale of a security and defined in the respective custodian's agreement, which is provided to and signed by the client prior to utilizing the custodian. NBTCM, however, does not receive any portion of these fees, if charged by the custodian. From an asset management standpoint, the selection of securities appropriate to a client's portfolio and their overall management plan is more important than these nominal fees, if any, that the custodian may charge to buy or sell the securities selected. If charged by any custodians utilized by NBTCM, however, they would be further discussed in the **Brokerage Practices** section of this Disclosure Document.

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## **Expense Ratios**

Most mutual funds and exchange-traded funds, whether purchased directly or through custodial accounts, generally charge an internal management fee, called an expense ratio, which is separate from the advisory service fees charged by NBTCM or transaction fees which might be charged by the custodians. For example, an expense ratio of 0.50 means that the mutual fund company charges 0.50% for their services. Performance figures quoted by mutual fund and exchange-traded fund companies in various publications are after their fees have been deducted. These fees are specific to each fund and deducted from the fund's performance annually by the respective fund company. Clients are not billed directly for these fees. Any such fees, if present, are clearly defined in each fund's prospectus.

A client could also invest in these products through other brokers, agents, or investment advisers that are not affiliated with NBTCM. Clients should evaluate the fees incurred in connection with these investment vehicles and the advisory fees charged by NBTCM to fully understand the total amount of fees paid.

Neither NAAA nor its supervised persons accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds or exchange-traded funds.

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## **Past Due Accounts and Termination of Agreements**

NBTCM and ABG Retirement reserve the right to stop work on any account that is more than ninety (90) days overdue. In addition, as previously stated, NBTCM and ABG Retirement reserve the right to terminate at any time, any engagement where a client has willfully concealed or refused to provide pertinent information about their financial situations when such information is deemed necessary and appropriate, in our judgment, to providing proper financial advice.

## **Item 6 - Performance-Based Fees**

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### **Performance-Based Fees**

Neither NBTCM, Cleveland Hauswirth or ABG Retirement base their advisory fees on a share of the capital gains or capital appreciation of managed securities. Such performance-based fee structures could present the Firm with a potential conflict of interest in which an advisor might be incented to recommend an investment or investment strategy that could carry a higher degree of risk to the client in pursuit of increased performance, which would in turn generate higher fees for the advisor.

## **Item 7 - Types of Clients**

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**Description**

NBTCM's traditional advisory clients are comprised primarily of individuals but may also include employer-sponsored retirement plans, trusts and estates. Client relationships in this traditional platform may vary in scope, complexity and length of service.

Clients eligible to enroll in the Firm's digital advisory platform may include individuals, IRAs, and revocable living trusts. Non-natural clients (i.e. corporations, partnerships, government entities) and clients that are subject to the Employee Retirement Income Security Act of 1974 (ERISA), are not eligible for the Digital Program.

ABG Retirement provides investment advice exclusively to the sponsors and/or trustees qualified and non-qualified pension and profit-sharing plans. Client relationships vary in scope and length of service.

Cleveland Hauswirth generally provides investment management services and advice to individuals, 401(k) plans, pension and profit sharing plans, trusts, estates, or charitable organizations, corporations or business entities. Each individual client's needs are identified and addressed.

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**Account Minimums**

For traditional NBTCM advisory platform clients, the minimum Investment Management account size is \$50,000 of assets under management, which equates to an annual fee of \$500. If an account falls below \$50,000 in value, the minimum annual fee of \$500 may be charged. Accounts of less than \$50,000 may be set up if the client and advisor anticipate the client will add additional funds to the accounts bringing the total up to the minimum \$50,000 within a reasonable time. Other exceptions may apply to employees of NBTCM and to participants within 401(k), pension and profit-sharing client accounts. In addition, clients with assets below the minimum account size may pay a higher advisory fee annual percentage rate for their assets under management than clients with greater assets under management. NBTCM may, at its discretion, waive or adjust these account minimums.

The minimum investment required to open an account in the Digital Program is \$5,000. The minimum account balance to enroll in the tax-loss harvesting feature of the Digital Program is \$50,000. Since these minimums are fixed within the Digital Program, NBTCM does not have discretion to adjust or waive them.

ABG Retirement does not require a minimum account size for retirement plan clients.

Cleveland Hauswirth has a minimum account size of \$500,000 for individual clients and \$2,000,000 for retirement plan accounts for consideration for management services. CH has the discretion to waive the account minimum. Other exceptions will apply to our employees and their relatives, or relatives of existing clients.

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

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### **Methods of Analysis**

In developing investment strategies for advisory clients, the Firm may employ long- or short-term purchases, trading of securities within thirty (30) days and margin accounts. The development of these strategies is based on a variety of information sources and methods of securities analysis, including fundamental analysis and technical analysis. Fundamental analysis involves researching individual companies and their securities to assess their risk/reward characteristics. Financial statement analysis, strategy assessment and management capability are components of fundamental analysis. Fundamental analysis is also used to analyze valuation metrics, including, but not limited to industry and sector fundamentals, entity cash flows, operating and net income, balance sheet structure, and certain ratio analyses that may include but are not limited to price-to-earnings, enterprise value to EBITDA, dividend policy and payout ratios, yield, interest coverage ratios, liquidity, margins, growth rates, and stock price as a % of its high price. NBTCM also employs technical analysis strategies to forecast future price moves by analyzing past and current market action. Unlike fundamental analysis, which evaluates a security's intrinsic value, technical analysis uses price charts and various analytical tools, including technical indicators and chart patterns, to evaluate a security's strength or weakness and predict future price changes. Information sources are generally comprised of the following:

- Professional financial and investment journals;
- Financial newspapers and magazines;
- Mutual fund and exchange-traded fund research materials prepared by independent sources such as Morningstar and Fiduciary Analytics;
- Mutual fund, exchange-traded fund and company prospectuses;
- Stock and corporate rating services;
- Company press releases;
- SEC filings;
- Charles Schwab & Co.'s "SchwabLink" service; and/or
- Internet-posted sources.

With respect to ABG Retirement's services, security analysis methods may include fundamental analysis and technical analysis. The main sources of information include financial software, research materials prepared by others, corporate rating services, annual

reports, prospectuses, filing with the Securities and Exchange Commission, and company related press releases.

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### **Investment Strategies**

The primary investment strategy used on client accounts is a strategic asset class allocation utilizing a Core and Explore approach. The asset classes used in our portfolios are:

- Stable Value (Money Market Funds and Certificates of Deposit)
- Fixed Income (Government, Corporate and Tax-Free Municipal Bonds)
- Stocks (US and International Large, Mid and Small Cap Stocks)
- Alternatives (Precious Metals, Natural Resources and Real Estate Trusts)

The portfolio Core component is built first, using primarily passively-managed index and exchange-traded funds. The Explore component is then built by using both actively-managed and passively-managed mutual funds, exchange-traded funds and, in some cases, individual stocks.

The Explore portion is used to achieve adequate diversification among all asset classes, to pursue strategic investment opportunities in specific industry sectors or geographic regions and to provide efficient investment flexibility when dealing with large or recurring cash deposits or withdrawals. Portfolios are also globally diversified in an effort to reduce the risk associated with investing solely in traditional markets.

Each client executes an Investment Objectives Outline that documents their specific objectives and desired investment strategy, as defined by the client during the initial consultations with their advisor. The client may change these objectives at any time. Information collected from the client is reviewed with the client periodically and strategies adapted to any changes in objectives and/or suitability.

With respect to ABG Retirement's services, each Plan that engages ABG Retirement must have an Investment Policy Statement that documents the Plan's objectives and the desired investment strategy. The investment strategy for a specific Plan Participant is dictated by the Participant.

For Cleveland Hauswirth our investment strategy used for individual client accounts is the practice of asset allocation using multiple mutual funds of various investment specialties combined to create a portfolio. CH may use a combination of actively managed mutual funds and passively managed funds (index funds). Portfolios are diversified to control the risk associated with traditional markets. The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time. We execute an Investment Policy Statement or "Investment Plan" for each client that documents their objectives and their desired investment strategy. Strategies used to implement any investment

advice given to clients will include long-term purchases (securities held at least a year) and short-term purchases (securities sold within a year).

Retirement plans use multiple mutual fund strategies, stable value funds and money market funds. We provide face-to-face advice to plan participants and help them combine the mutual funds into a portfolio that meets their individual needs.

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### **Risk of Loss**

All investment programs have certain risks that are borne by the investor. Clients are advised of these various types of risk and the possibility of loss of their assets. Investment strategies are developed based on the risk tolerance of each client and the types of these risks they may be subjected to. Investment vehicles are then selected by the advisor that are deemed suitable for the client according to their respective goals, timeframes and risk tolerances to potential losses. Our investment approach constantly keeps this risk of loss in mind. Investors may face any or all of the following investment risks while pursuing their financial goals:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, mutual fund or exchange-traded fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a

standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.

- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

## **Item 9 - Disciplinary Information**

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### **Legal and Disciplinary**

Neither NBTCM, ABG Retirement, Cleveland Hauswirth, nor any of their associated persons have been involved in any legal or disciplinary events related to past or present investment clients.

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

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### **Financial Industry Activities**

Neither NBTCM, ABG Retirement nor Cleveland Hauswirth are registered as a securities broker/dealer, a futures commission merchant, commodity pool operator or commodity trading advisor. As discussed previously, certain associated persons of NBTCM are Registered Representatives of LPL Financial and may receive commissions from the sale of securities through LPL. These activities are separate from their roles as NBTCM advisors. NBTCM does not share in those commissions. As a result of this relationship, LPL Financial may have access to certain confidential information (e.g., financial information, investment objectives, transactions and holdings) about NBTCM's advisory clients, even if client does not establish any account through LPL. If you would like a copy of the LPL Financial privacy policy, please contact Todd Wilcox, NBTCM's CCO, to request a copy. Some associated persons of NBTCM are also licensed as life and/or health insurance agents and may be compensated through separate and standard commissions for the sale of insurance and insurance-related products and services.

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### **Affiliations**

As previously stated, NBTCM is a wholly owned entity of NBT Bancorp, which is a publicly traded domestic corporation whose stock may be available to both clients and associated persons of NBTCM. Trading in NBT stock within advisory accounts has the potential to create real or perceived conflicts of interest, depending upon the



timing of these trades and the ownership of accounts within which the stock is traded. To alleviate this potential, NBTCM has implemented procedures which require the disclosure to clients of potential conflicts of interest associated with such trades coupled with the following trading requirements:

- Trades in NBT stock within advisory client accounts may be executed on an unsolicited basis only;
- Clients are required to sign a Letter of Non-Solicitation prior to the placing of trade orders for NBT stock within their advisory accounts;
- The CCO will review each Letter of Non-Solicitation and enter the Letter into the respective client's file; and
- The CCO will conduct and document a post-trade review of each NBT stock transaction executed.

Neither NBTCM, ABG Retirement nor Cleveland Hauswirth, provide legal, accounting or tax preparation services to its clients. Should the need arise for those services, however, NBTCM, ABG Retirement or Cleveland Hauswirth may refer the clients to attorneys or accountants who are independent of NBTCM, ABG Retirement and Cleveland Hauswirth. If clients choose to use the services of those firms, they may be required to execute separate agreements with them which identify their specific services and fees. Neither NBTCM, ABG Retirement, nor Cleveland Hauswirth receive compensation for such referrals.

As previously stated above, some Investment Advisor Representatives of NBTCM may be insurance licensed, which allows them to sell insurance products for which they may receive standard commissions. The sale of such commissionable insurance products to clients is outside the scope of NBTCM's discretionary advisory services, however. If an advisory client purchases a commission-based insurance product through one of our advisors, the commission earned will be assigned to NBTCM, which is separate and distinct from fees charged for the Firm's advisory services and serves to offset Firm operating costs.

The ability to sell such products and generate commissions presents a potential conflict of interest. We believe that those potential conflicts of interest are mitigated by the following Firm practices:

- NBTCM has adopted a standard of conduct under its Code of Ethics which emphasizes putting the client's interest first.
- All commissionable transactions are reviewed by senior management, with an eye toward avoiding potential conflicts of interest and providing advice that's in the client's best interest.
- Commissionable products should only be sold when they are beneficial to the client as the best possible solution to an investment or financial planning issue.

- Full disclosure of all up-front sales charges, ongoing asset-based fees and potential surrender charges should always be presented to the client before purchase.

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### **Outside Business Activities**

As previously stated, some associated persons of NBTCM are licensed to sell life insurance products as agents and may sell commission-compensated securities products as Registered Representatives of LPL Financial. In addition, John Rice is also engaged as a sales consultant for a third-party administrator firm unrelated to his advisory practice. No associated persons of NBTCM are engaged in other outside business activities above or beyond their advisory responsibilities at NBTCM. Except as disclosed with respect to fees received by the associated persons of NBTCM that are licensed to sell life insurance products as agents and commission-compensated securities products as Registered Representatives of LPL Financial, NBTCM does not share in compensation received by these individuals for these outside activities.

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

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### **Code of Ethics**

NBTCM places the utmost priority on maintaining high standards of integrity and professionalism by its associated persons in the conduct of its advisory business. The greatest asset held by this Firm is the trust and confidence placed in it by the clients. It is incumbent upon all members of the Firm to maintain, further and adhere to the tenet that the clients' interest is paramount in all that we do. NBTCM has formulated and implemented policies and procedures to ensure that these fiduciary obligations are met. In addition, since some associated persons of our Firm have received the CFP® Certification from Certified Financial Planner Board of Standards, Inc., it is the policy of the Firm to incorporate into its Code of Ethics the principles of CFP Board's Code of Ethics and Standards of Conduct, as updated and amended in 2019. The CFP Board's Code of Ethics and Standards of Conduct may be reviewed online at <https://www.cfp.net/for-cfp-professionals/professional-standardsenforcement/code>.

NBTCM has established a Code of Ethics specifically formulated to ensure that our fiduciary obligations are continually met. The following is a summary of our Firm's Code of Ethics policy:

- Adoption and maintenance of Standards of Conduct which emphasize putting our client's interests first and avoiding any conflicts of interest;
- Requirement that associated persons of our Firm comply with all Federal, State and other regulatory body securities laws and governing regulations;

- Protection of clients' nonpublic, confidential information;
- Requirement that associated persons of NBTCM pre-clear certain types of personal securities transactions;
- Prohibition against the use of material, non-public (insider) information at all times; and
- Requirement to report any violations of these policies to NBTCM's senior management immediately.

All associated persons of NBTCM are committed to our Code of Ethics, which is available in its entirety for review by clients and prospective clients. Copies of our Code may be obtained by written request sent to Todd Wilcox, our Chief Compliance Officer, at NBT Capital Management, Inc., 331 Main St, Suite 1331 Main St, Suite 1, Johnson City, New York 13790 or by calling our office at (607) 584-4141 during normal business hours. A copy will be forwarded promptly upon receipt of a request.

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### **Participation or Interest in Client Transactions**

NBTCM and its employees may buy or sell securities that are also held by clients. Associated persons are prohibited, however, from trading securities within their personal accounts ahead of trades of the same securities in client accounts, a practice commonly known as "front running". They are also prohibited from conducting sales of securities between their personal accounts and those of advisory clients.

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### **Personal Trading**

It is NBTCM's policy to prohibit personal securities transactions by its associated persons which are or could lend the appearance of being in conflict with either client transactions or the Firm's fiduciary responsibility to its clients. The Firm has designated Todd Wilcox as its Chief Compliance Officer (CCO). As such, he conducts reviews of all associated person trading activity on a quarterly basis. These personal trading reviews ensure that the personal trading of the Firm's associated persons does not affect the markets and that clients of the Firm receive preferential treatment at all times.

## **Item 12 - Brokerage Practices**

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### **Selecting Brokerage Firms**

NBTCM does not maintain direct physical custody of advisory client assets. All client accounts are held by outside qualified custodians, as defined by the SEC, such as a broker/dealer or bank. NBTCM currently recommends that our clients utilize Charles Schwab & Co. as their qualified custodian. While we recommend that clients use Schwab as their custodian, the decision to do so ultimately rests with the client. In fact,

some of our clients' accounts are held by other custodians such as TD Ameritrade and TIAA-CREF.

ABG Retirement does not maintain direct physical custody of retirement plan client assets. All client accounts are held at qualified custodians. These qualified custodians currently include Charles Schwab Trust Bank, TD Ameritrade Trust Company, Matrix Trust Company and Fidelity.

Cleveland Hauswirth does not have any affiliation with product sales firms. Specific custodian recommendations are made to clients based on their need for such services. CH recommends custodians based on the proven integrity and financial responsibility of the firm and the best execution of orders at reasonable transaction rates. To that end, Cleveland Hauswirth has long used low-cost provider Charles Schwab & Co. as the account custodian for individual clients. A retirement plan client may choose from a number of custodians that specialize in serving retirement plans. CH assists in that decision by reviewing providers for cost and services provided. CH does not receive fees or commissions from any of these arrangements.

NBTCM is independently owned by NBT Bank and is not directly affiliated with these qualified custodians beyond their retention as custodial platforms for our advisory and retirement plan clients' accounts. Custodians hold client assets in their respective brokerage accounts and buy and sell securities within those accounts when directed to do so by NBTCM, or in the case of retirement plan client, by the plan's recordkeeper at the direction of the plan sponsor or plan participant.

Although NBTCM does not maintain direct custody of advisory client assets, government regulations issued by the SEC deem that we have indirect custody of your assets if you authorize NBTCM to instruct your custodian to deduct our advisory fees directly from your account or, if you grant us authority to move money from your custodial account to another account with a separate registration (i.e. from one spouse's IRA to an account owned jointly by the IRA owner and their spouse). In no case is ABG Retirement deemed to directly or indirectly have custody of retirement plan assets.

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### **How We Select Custodians/Brokers**

We seek to use a custodian/broker who will hold your assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors in our selection process including:

- Combination of transaction execution and asset custody services (generally without a separate fee for custody);
- Capability to execute, clear, and settle trades (buy and sell securities for your account);
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payments, etc.);
- Breadth of available investment products (stocks, bonds, mutual funds, exchange traded funds [ETFs], etc.);
- Availability of investment research and tools that assist us in making investment decisions;
- Quality of services;
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices;
- Reputation, financial strength, and stability;
- Prior service to us and our other clients; and
- Availability of other products and services that benefit us, as discussed below (see *“Products and Services Available to Us from Schwab”*).

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### **Your Brokerage and Custody Costs**

For our client accounts held with Schwab, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle in your Schwab account. NBTCM, however, does not share in any of these fees assessed by Schwab.

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### **Products and Services Available to Us from Schwab**

Advisory client accounts are primarily maintained at, and receive the brokerage services of, Schwab, a qualified custodian and broker/dealer registered with the Securities and Exchange Commission and a member of FINRA/SIPC. While clients are required to use Schwab as custodian of their assets, the client decides whether to do so and, if so, opens its account with Schwab by entering into a brokerage account agreement directly with Schwab. We do not open the account for the client. If the client does not wish to place his or her assets with Schwab, then we cannot manage the client’s account through the CSCM platforms. Clients may, however, add accounts held with other custodians (i.e. TD Ameritrade) to their overall portfolio managed by NBTCM.

Within NBTCM’s digital advisor platform, Schwab may aggregate purchase and sale orders for Funds across accounts enrolled in the Digital Program, including both accounts for our clients and accounts for clients of other independent investment advisory firms using the Platform. Schwab Advisor Services™ (formerly called Schwab Institutional) is Schwab’s business serving independent investment advisory firms like us. Through Schwab Advisor Services, CS & Co. provides us and our clients, both those

enrolled in the Digital Program and our clients not enrolled in the Digital Program, with access to its institutional brokerage services— trading, custody, reporting, and related services—many of which are not typically available to CS & Co. retail customers. CS & Co. also makes available various support services, some of which help us manage or administer our clients' accounts, while others help us manage and grow our business. CS & Co.'s support services described below are generally available on an unsolicited basis (we don't have to request them) and at no charge to us. The availability to us of CS & Co.'s products and services are not based on us giving particular investment advice, such as buying particular securities for our clients. The following is a more detailed description of CS & Co.'s support services:

CS & Co.'s institutional brokerage services include access to a broad range of Investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. CS & Co.'s services described in this paragraph generally benefit the client and the client's account. CS & Co. also makes available to us other products and services that benefit us but may not directly benefit the client or its account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or some substantial number of our clients' accounts, including accounts not maintained at CS & Co. In addition to investment research, CS & Co. also makes available software and other technology that:

- provide access to client account data (such as duplicate trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide pricing and other market data;
- facilitate payment of our fees from our clients' accounts; and
- assist with back-office functions, recordkeeping, and client reporting.

CS & Co. also offers other services intended to help us manage and further develop our business enterprise. These services include:

- educational conferences and events;
- technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants, and insurance providers.

CS & Co. may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. CS & Co. may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. CS & Co.

may also provide us with other benefits such as occasional business entertainment of our personnel.

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**Our Interest in Schwab's Services**

The availability of such services from CS & Co. benefits NBTCM because we do not have to produce or purchase them. NBTCM doesn't have to pay for these services nor are they contingent upon us committing any specific amount of business to CS & Co. in trading commissions or assets in custody. With respect to the Digital Program, as described above under **Item 4 Advisory Business**, we do not pay SPT fees for the platform so long as we maintain \$100 Million in client assets in accounts at CS & Co. that are not enrolled in the Digital Program. In light of our arrangements with Schwab, however, we may have an incentive to recommend or require that our clients maintain their accounts with CS & Co. based on our interest in receiving Schwab's services beneficial to our business rather than based on the client's interest in receiving the best value in custody services and the most favorable execution of transactions. This represents a conflict of interest. We believe, however, that our selection of CS & Co. as custodian and broker is in the best interests of our clients. It is primarily supported by the scope, quality, and price of CS & Co.'s services and not Schwab's services that benefit only us. NBTCM has adopted policies and procedures designed to ensure that our use of Schwab's services is appropriate for each of our clients.

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**Best Execution**

NBTCM reviews the execution of trades at each custodian each quarter. Our review process is documented in the Firm's Written Policy and Procedures Manual. Trading fees charged by the custodians are also reviewed on a quarterly basis. NBTCM does not receive any portion of the trading fees.

In addition to these best execution reviews, the Firm's CCO may also conduct quarterly reviews of their custodians' trading accuracy and efficiency utilizing Rule 605 reports drawn from publicly available data. If any issues of potential concern are noted in these reports, relative to trading activities effecting the Firm's advisory clients, they are addressed by the CCO directly with the respective custodian at that time, resolved immediately in the client's favor and all relevant information documented accordingly.

Additionally, on an annual basis, the CCO may request and review a Rule 606 report which compares the relative performance of Schwab, as a broker/dealer, to other broker/dealers in the market place across a variety of parameters. In seeking best execution for clients, lowest transaction cost may not always be the key determinative factor however. NBTCM also examines qualitative factors such as speed and accuracy of executions, value of research provided, commission rates and responsiveness to client and advisor concerns, for example. As a result, some trades may not necessarily obtain best price, within reason, but the Firm may likely achieve higher quality service

across its entire trading platform and, therefore, best overall execution for its clients. Based on these comparisons, the Firm continually seeks to ensure that the overall trading execution performance of its custodians compare favorably in the marketplace. Documentation of the Firm's ongoing Best Execution review is maintained by the CCO as a key component of its compliance books and records.

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**Soft Dollars**

Soft dollar practices generally refer to arrangements under which investment advisors or money managers obtain products or services (other than execution of securities transactions) from or through a broker/dealer in exchange for the advisor directing client brokerage transactions to that broker/dealer.

Neither NBTCM, ABG Retirement, nor Cleveland Hauswirth have any formal soft dollar arrangements in existence at this time, nor do they intend to have any in the future. However, as previously discussed in this Item 12, NBTCM may receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above.

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**Order Aggregation**

Most trades that we execute for clients are mutual funds. Trade aggregation, commonly referred to as "block trading", does not benefit our clients because all buys and sells of the same mutual fund during a day receive the per share closing price at the end of the day. For exchange-traded funds and individual stocks, it is our policy to process block trades when we buy or sell the same security for multiple clients at approximately the same time. Block trades will be averaged as to price and transaction costs and will be allocated equitably among all clients for whom we are buying or selling a security. In the case of an order which is only partially filled, we will allocate the shares pro-rata based on the percentage of shares each client's order bears to the total order amount. NBTCM receives no additional compensation of any kind as a result of aggregating client trades. Trades for employees of NBTCM are not aggregated with those of clients.

## **Item 13 - Review of Accounts**

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**Periodic Reviews**

NBTCM periodically monitors the composition and performance of client portfolios as a key component of its ongoing service commitment to its clients. Account reviews are conducted quarterly by our advisor team. Reviews at either level may be performed more frequently in response to client requests or at any time when the Firm



or the individual advisor feels that specific events or market conditions dictate. Account reviews may also be performed when a client makes a relatively large deposit to or withdrawal from their managed portfolio.

With respect to ABG Retirements retirement plan clients, ABG Retirement maintains a Recommended Fund list. This list is monitored on a quarterly basis by ABG Retirement's Investment Committee. ABG Retirement, at least annually, performs a review of each retirement plan client's investment line-up in accordance with the standards set forth in the Plan's Investment Policy Statement.

Cleveland Hauswirth reviews investment advisory accounts on an ongoing basis. A cursory review of asset allocation is performed quarterly with an in-depth review performed no less than annually. The reviews are conducted by one or more members of the Investment Committee. The reviewer will determine whether to rebalance, or to add or delete mutual funds or appropriate securities. CH contacts each individual client periodically, and meet annually, to review the portfolio and ask the client to review his or her financial situation and advise of any changes to their investment objective. Retirement plan accounts and investment choices are reviewed on an ongoing basis and CH meets with each plan sponsor no less than annually for an in-depth review of investment choices and services to plan participants.

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### **Review Triggers**

With respect to NBTCM's and Cleveland Hauswirth advisory clients, advisors monitor economic and market conditions, perform due diligence reviews of securities and financial products and investigate significant gains or losses in client portfolios. Concerns in any of these areas, changes in tax laws and/or changes in client objectives or suitability may trigger the need for off-cycle account reviews with clients as well.

Other conditions that may trigger an off-cycle review for ABG Retirement client accounts are changes in tax or qualified plan law, change in economic and market conditions, or changes in the Plan's Investment Policy Statement.

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### **Regular Reports**

NBTCM clients receive regular reports regarding their advisory accounts from their advisor on at least an annual basis. Investment Management and Retainer Agreement clients, however, receive written quarterly updates. These updates may include a net worth statement which includes their investable assets, a portfolio statement which summarizes the quarter and year-to-date return on their Schwab accounts, a general Investment Review client letter and a brief note addressing high priority issues related to their overall financial objectives.

Clients are provided with transaction confirmations, notices and regular account statements directly from the custodian of their accounts on at least a quarterly basis. Copies of these items sent to clients are also simultaneously copied to NBTCM.

ABG Retirement performs reviews in accordance with standards set forth in the Plan's written Investment Policy Statement at least annually (or more frequently as agreed upon in writing with the client). Quarterly monitoring reports (QMR's) are provided to the client. The reviewers are members of the ABG Investment Committee.

Cleveland Hauswirth clients receive (1) a quarterly portfolio appraisal, (2) a quarterly performance report including a consolidated report if there are multiple related accounts, (3) an annual in-depth review meeting, (4) custodial statements at least quarterly, and (5) a quarterly newsletter. Retirement plan clients receive a quarterly newsletter from Cleveland Hauswirth suitable for distribution to plan participants. They receive other required statements and reports from the appropriate operational provider (custodian, record keeper, TPA).

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

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### **Incoming Referrals**

NBTCM may receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above in **Item 12 Brokerage Practices**.

NBTCM and Cleveland Hauswirth have been fortunate to receive many client referrals over the years. These referrals have come primarily from current or former clients, estate planning attorneys, accountants, our employees and their personal friends and other similar sources. At this time, NBTCM neither utilizes the services of paid solicitors to promote our regular advisory practice nor do we compensate anyone for referrals to prospective clients. Cleveland Hauswirth does not normally compensate referring parties for these referrals. However, Cleveland Hauswirth has a fee method, in the form of a one-time payment of a portion of the first year's management fee, it would execute in the event a referral source requested it.

ABG Retirement, however, may engage solicitors to market their retirement plan services. When they do so, solicited clients will receive a separate solicitor's disclosure statement describing the solicitation arrangement, the compensation paid to the solicitor and the terms of the relationship between NBTCM, ABG Retirement and the solicitor.

The client will also receive a copy of NBTCM's Form ADV Part 2A, which is our Disclosure document, along with a copy of NBTCM's Privacy Policy. If the solicitor refers a client to us, the client's total advisory fees will be no higher than if the client had not been referred by the solicitor.

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**Referrals Out**

Neither NBTCM nor ABG Retirement accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them for services.

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**Other Compensation**

The Firm receives commissions assigned to it from the sale of certain types of insurance products by its advisors which may result from their activities as licensed insurance agents.

## **Item 15 - Custody**

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**Account Statements**

With respect to NBTCM and Cleveland Hauswirth advisory clients, under current government regulations, NBTCM and Cleveland Hauswirth may be deemed by the SEC to have indirect custody of your assets if you authorize NBTCM and Cleveland Hauswirth to instruct Schwab to deduct our advisory fees directly from your account or, if you grant us authority to move money from your Schwab account to another account with a separate registration (i.e. from one spouse's IRA to an account owned jointly by the IRA owner and their spouse). Only Schwab, or other qualified custodians, however will maintain actual custody of your assets. You will receive account statements directly from Schwab at least quarterly, with copies forwarded to NBTCM and Cleveland Hauswirth as well. They will be sent to the email or postal mailing address you provided to Schwab. You should carefully review those statements promptly when you receive them. We also urge you to compare Schwab's account statements with the periodic account statements or portfolio reports that you may receive from NBTCM and Cleveland Hauswirth.

For NBTCM advisory clients, we provide negative consent language on an annual basis in one of our quarterly mailings that tells clients if they are not receiving monthly or quarterly statements from custodians, they need to reach out to our office. This process is known as "due inquiry".

ABG Retirement is deemed to have custody under Rule 206(4)-2 with respect to our relationship with the recordkeeper for our plans EPIC RPS that is owned under the same entity NBT Bancorp, Inc. ABG Retirement will satisfy the requirements of Rule 206(4)-

2 by engaging an independent public accountant within 180 of filing and claiming custody.

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**Performance Reports**

Clients are urged to review the performance of their investments as reported on their account statements received directly from their account custodian. These statements, along with market and portfolio performance, are reviewed with each client during periodic account reviews with their respective advisor.

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**Net Worth Statements**

Non-retirement plan clients are periodically provided Investment Summary statements which include account balances and asset class allocations of their accounts that we manage and, in some instances, other accounts which we do not manage if the client provides us with that information on a timely basis. The main purpose of the Investment Summary is to provide a simple one-page snapshot of a client's invested assets and the asset class allocation of those investments.

Occasionally, an Investment Summary may include approximations of bank account balances provided by the client, as well as the value of land and hard-to-price real estate. In this case, the purpose of the Investment Summary may be for long-term financial planning where the exact values of assets are not material to the financial planning tasks.

## **Item 16 - Investment Discretion**

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**Discretionary Authority for Trading (Non-Retirement Plan Clients)**

NBTCM and Cleveland Hauswirth accepts discretionary authority to manage securities accounts on behalf of its clients. This discretionary authority allows us to determine and implement, without obtaining specific client consent for each trade, the securities to be bought or sold and the amount of the securities to be bought or sold as long as such trades are done within the framework of the Investment Policy Statement or Investment Objectives Agreement that the client has previously agreed to.

The client approve the custodian to be used and the commission rates paid to the custodian. NBTCM or Cleveland Hauswirth do not receive any portion of the transaction fees or commissions paid by the client to the custodian on certain trades. Discretionary trading authority facilitates placing trades in your accounts on your behalf so that we may promptly implement the investment strategy that you have approved in writing

The clients do retain the right to place limitations on the advisors discretionary powers. If any such limitations or restrictions are specified, they are clearly defined withing the advisory agreement or Investment Policy Statements at the outset of services. Subsequently, restrictions may be added or dropped from the client's authorization by submitting a request in writing.

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**Discretionary Authority for Trading (Retirement Plan Clients)**

When acting as an ERISA 3(38) Investment Manager, ABG Retirement has discretionary authority to manage the investment line-ups for the clients' plans that have chosen to engagement ABG Retirement in this manner. This means that ABG Retirement may add and/or replace an investment in a plan without obtaining specific client consent so long as such actions are within the framework of the Plan's Investment Policy Statement.

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**Limited Power of Attorney**

A limited power of attorney (LPOA) for a brokerage account is a trading authorization that you provide us so that we can make trades in your account(s) on a discretionary basis as stated above. The LPOA approval requires your signature or initials on the custodian's account application form and may be revoked by you at any time.

## **Item 17 - Voting Client Securities**

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**Proxy Votes**

Neither NBTCM nor ABG Retirement votes proxies on securities on behalf of clients. Clients are expected to vote their own proxies and account custodians are directed to forward all proxy voting materials directly to the clients. If assistance on voting proxies is requested by a client, NBTCM will provide recommendations only. If any conflict of interest might exist relative to advising the client on proxy issues, it will be disclosed to the client.

For Cleveland Hauswirth individual clients may choose whether to vote their own proxies or have us vote proxies for the securities which are among the assets we are managing. When voting proxies, we follow procedures established in our proxy voting policy. A copy of our policy is available upon request.

## **Item 18 - Financial Information**

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**Financial Condition**

NBTCM does not have any financial impairment that will preclude the Firm from meeting contractual commitments to clients. Neither the Firm nor any associated persons have been a party in any bankruptcy proceedings. Since NBTCM does not serve

as a custodian for client funds or securities, and does not require prepayment of fees of more than \$1200 per client six months or more in advance, it is not required to prepare or provide a financial balance sheet to clients.