

## **Appendix - Wrap Fee Program Brochure**

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### **Form ADV Part 2A, Appendix 1 – Wrap Fee Brochure**

**Effective: December 15, 2023**

This Brochure provides information about the qualifications and business practices of Potentia RIA, LLC (“Potentia”, “Potentia Wealth”, “Adviser”, “firm”, “us”, “we”, “our”). If you (“client,” “prospective client,” “investor”) have any questions about the contents of this Brochure, please contact us at (408) 288-7886 or via email at [ask@potentiawealth.com](mailto:ask@potentiawealth.com). 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.

Potentia is an SEC Registered Investment Adviser. The registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information that you may use to determine whether to hire or retain them. Additional information about the Adviser is also available via the SEC’s website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

You can search this site by using a unique identifying number, known as a CRD number. The CRD number for the Adviser is 329135. The SEC’s web site also provides information about any persons affiliated with the Adviser who are registered, or are required to be registered, as Investment Adviser Representatives of the Adviser.

## Item 2 - Material Changes

Form ADV Part 2 Appendix 1 (“Wrap Brochure”) requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser’s brochure, the adviser is required to notify clients and provide a description of the material changes. Generally, we will notify clients of material changes on an annual basis. However, when we determine that an interim notification is either meaningful or required, we will notify our clients promptly. In either case, we will notify our clients in a separate document.

This Wrap Fee Program Brochure dated December 15, 2023, is part of the firm’s initial filing.

A revised Wrap Brochure may become available since our delivery or posting of this Wrap Brochure on the SEC’s public disclosure website (IAPD) at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or clients may contact our office at the number or by email listed on the cover page of this Wrap Brochure to obtain a copy. When an update is made to this Wrap Brochure, we will send a copy to clients with the summary of material changes, or a summary of material changes that includes an offer to send clients a copy [either by electronic means (email) or in hard copy form].

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## **Item 4 - Services, Fees and Compensation**

Potentia will serve the financial needs of clients seeking personal, comprehensive financial planning and investment management services from advisors with experience. Prior to Potentia providing investment advisory services, clients are required to enter into one or more written agreements with Potentia setting forth the relevant terms and conditions of the advisory relationship (the “Advisory Agreement”).

Potentia is principally owned by Kevin Swanson, the Adviser’s Managing Members (“the Principals”).

While this Wrap Brochure generally describes our business, 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 any other person who provides investment advice on our behalf (collectively referred to as investment adviser representatives or “IARs”) and are subject to the Firm’s supervision or control.

### **Investment and Wealth Management Services**

We manage client investment portfolios on a discretionary basis. Where appropriate, IARs may also provide advice about any type of legacy position or other investment held in client portfolios.

We tailor our advisory services to meet the needs of our individual clients and seek to ensure, on a continuous basis, that client portfolios are managed in a manner consistent with the client’s stated needs and objectives. We consult 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 us if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients may impose reasonable restrictions or mandates on the management of their accounts if we determine, in our sole discretion, the conditions will not materially impact the performance of a management strategy or prove overly burdensome to the Firm’s management efforts.

At the present time Potentia offers its investment management services to Clients utilizing the wrap fee programs described below.

#### *1. Model Wealth Portfolios*

Model Wealth Portfolios (“MWP”) is an LPL sponsored Program that offers Clients professionally managed mutual fund and ETP asset allocation models. The IAR will obtain the necessary financial data from the Client, assist the Client in determining the suitability of the MWP Program and assist the Client in setting an appropriate investment objective. The IAR will initiate the steps necessary to open an MWP account and select a model portfolio designed by LPL’s Research Department consistent with the Client’s financial circumstances and stated investment objectives. LPL’s Research Department or third-party Portfolio Strategists are responsible for selecting the mutual funds or ETPs within a model portfolio and for making changes to the mutual funds or ETPs selected. The Client will authorize LPL to act on a discretionary basis to purchase and sell mutual funds and ETPs and to liquidate previously purchased securities. The Client will also authorize LPL to effect rebalancing for MWP accounts.

Portfolio Strategists are independent investment advisor firms. Portfolio Strategists provide LPL with a Portfolio that includes recommended asset allocations and funds. Portfolio Strategists do not have discretion from the Client to implement the Portfolio and do not provide individualized investment advice to specific MWP Program Clients. In certain cases, a Portfolio may consist only of mutual funds and/or ETPs within the same fund family or within affiliated fund families. In such a Portfolio, the Portfolio Strategist will select only those funds within the fund family or affiliated fund families, and a third-party Portfolio Strategist or its affiliates may earn two levels of fees with respect to the assets: a strategist fee,

and fund-level fees, including fund management fees.

MWP requires a minimum asset value for an account to be managed. The minimums vary depending on the Portfolio(s) selected and the account's allocation amongst Portfolios. The lowest minimum Portfolio is \$25,000. In certain instances, a lower minimum for a Portfolio will be permitted. An account will not be invested according to a Portfolio or Portfolios until the applicable minimum for the Portfolio(s) and allocation has been reached. Clients should consult with their IAR to obtain more information about the applicable investment minimum based on the Portfolio(s) selected and the allocation amongst Portfolios.

LPL acts as Custodian to MWP accounts, provides brokerage and execution services as the broker-dealer on transactions, and performs administrative services, such as quarterly performance reporting to Clients. PPP is unaffiliated with LPL. Clients should refer to their account application package for specific information on LPL's management fees and fees imposed by third parties which are separate from and in addition to the fees Client pays us.

## *2. Optimum Market Portfolios*

Optimum Market Portfolios ("OMP") is an LPL Financial sponsored Program offering Clients the ability to participate in a professionally managed mutual fund asset allocation program using Optimum Fund shares. Under the OMP Program, the Client authorizes LPL on a discretionary basis to purchase and sell Optimum Funds pursuant to investment objectives chosen by the Client. The IAR will assist the Client in determining the suitability of the OMP Program for the Client and assist the Client in setting an appropriate investment objective based on the Client's financial circumstances. The IAR will select a mutual fund asset allocation portfolio designed by LPL consistent with the Client's investment objective. LPL will have discretion to purchase and sell Optimum Funds pursuant to the portfolio selected for the Client. LPL will also have the authority to rebalance the account.

A minimum account value of \$10,000 is required for the OMP Program. In certain instances, a lower minimum for the OMP Program will be permitted. LPL acts as custodian to OMP accounts, provides brokerage and execution services, and performs administrative services, such as quarterly performance reporting to Clients. PPP is unaffiliated with LPL and Optimum Funds. Clients should refer to their account application package for specific information on fees imposed by third parties which are separate from and in addition to the fees Client pays us.

## *3. Manager Asset Select*

Manager Asset Select ("MAS") is an LPL sponsored Program that provides Clients access to the investment advisory services of professional portfolio management firms for the individual management of Client accounts. MAS offers two alternatives (i) the Separately Managed Account Platform ("SMA Platform"); and (ii) the Model Portfolio Platform ("MP Platform") (collectively "Platforms"). For both Platforms, the IAR will assist Client in selecting a third-party portfolio manager ("Portfolio Manager") from a list of Portfolio Managers available on the LPL platform. The portfolio manager manages Client's assets on a discretionary basis. The IAR will provide initial and ongoing assistance regarding the portfolio manager selection process and serves as the point of contact between the Client and portfolio manager regarding changes in the Client's investment objective, financial circumstances and investment restrictions (if any).

## *4. SMA Platform*

The SMA portfolio manager selected by the Client has investment discretion regarding the investment and reinvestment of account assets in accordance with the investment objective restrictions and guidelines set forth in the Investment Management Agreement and Account Application. The portfolio manager independently determines whether to accept the Client account based on the content of the Account Application, suitability and whatever other factors the portfolio manager has deemed appropriate. The portfolio manager has the sole authority to determine the securities to be purchased, sold, or exchanged and which portion, if any, of the assets shall be held uninvested. The portfolio manager has discretion to invest among a broad variety of security types, including equities, fixed income securities, options, mutual funds, and ETPs. The IAR does not play a role in the selection of securities to be purchased or sold. The IAR assists the Client to determine the Client's investment objectives and risk/return preferences, identify any investment restrictions on the management of the account, and select an investment strategy and portfolio manager.

## *5. MP Platform*

Under the MP Platform, LPL provides ongoing discretionary investment advice regarding the investment and reinvestment of account assets in accordance with the Model Portfolio selected. LPL is expected to closely track the Model Portfolio, making modifications only to redress account issues, including tax loss harvesting, rebalancing, and to ensure that investment restrictions are being followed. The IAR does not play a role in the selection of securities to be purchased or sold. The IAR assists the client to determine the client's investment objectives and risk/return preferences, identify any investment restrictions on the management of the account, and select a model portfolio provided by LPL's Research Department or Model Advisor.

LPL selects and reviews SMA portfolio managers and MP Model Advisors based on quantitative, qualitative and infrastructure criteria. There are two types of these advisers, "Recommended" or "Participating". Portfolio managers and Model Advisors that are "Recommended" by LPL Research are subject to more rigorous selection and review process than those that are "Participating". Clients should speak to their IAR regarding whether the portfolio manager or Model Advisor being considered for selection, or that has been selected by the Client, is "Recommended" or "Participating."

A minimum account value of \$100,000 is required for the MAS Program; however, in certain instances, the minimum account size may be lower or higher. Clients should note that an account will not be invested until the applicable minimum for the investment strategy or Model Portfolio has been reached.

LPL acts as Custodian to MAS accounts. Clients direct portfolio managers and Model Advisers to execute transactions through LPL. In some instances, portfolio managers may choose to place some or all trades for accounts with broker-dealer firms other than LPL ("step-out") where the execution price to the Client may include a commission or other fee imposed by the broker-dealer in addition to the account fee. This increases the fees paid by the Client. PPP is unaffiliated with LPL and the portfolio managers utilized under the MAS Program. Clients should refer to their account application package and sub-adviser disclosure brochure for specific information on fees imposed by third parties which are separate from and in addition to the fee Client pays us.

## **Portfolio Management Fees**

We offer investment management services for an annual fee based on the amount of assets under the Firm's management. Compensation to us for our services will be calculated in accordance with the fees set forth in the Investment Management Agreement entered into which each client when we begin our professional relationship. We reserve the right to amend the fees and Investment Management Agreement itself upon 30 days prior written notice to each client. This management fee can vary between the range of 2.0% and 0.6% not to exceed 2.0%. Similar services may be provided by other advisers for a lower fee.

Clients with assets in the MAS, MWP, and OMP Programs will also pay fees to other third parties, such as a portfolio manager fee and platform fee which typically ranges from 0.15% to 1.00% of account assets per year. On occasion, a portfolio manager may agree not to receive a fee. Our broker/custodians will charge you a flat dollar amount as a “prime broker” or “step-out” fee for each trade that a portfolio manager executes by a different broker-dealer but where the securities bought or the funds from the securities sold are settled into your account. These fees are in addition to the fee you pay us. Clients are encouraged to review the disclosure brochures for all third parties before investing for more details regarding the additional fees and expenses they will be paying.

The annual fee is prorated and charged quarterly in advance, based upon the method selected in the Advisory Agreement and the market value of the assets being managed by the IAR on the first day of the billing period.

No adjustment will be made for intra-quarter withdrawals or deposits. Accounts opened during a quarter/month will be billed on a pro-rata basis. For the initial period of an engagement, the fee is calculated based on the date the client entered into the Advisory Agreement. 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.

### **Fee Discretion**

We may, in our sole discretion, negotiate to charge a lesser fee based upon 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**

In addition to the advisory fees paid to us, clients may 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 commissions, transaction fees, custodial fees, fees charged by the Independent Managers, 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 9. Additional Information section below.

We and your IAR do not retain 12b-1 fees paid by funds for either qualified or non-qualified accounts. All 12b-1 fees on accounts are retained by the custodian. For accounts that are traded with No-Transaction Fee (NTF) mutual funds and/or NTF exchange traded mutual funds, any 12b-1 fee is paid to the custodian in lieu of the client paying transaction or trading costs. Where a fund participates in the NTF platform and does not have a 12b-1 fee, the custodians generally receive a portion of the fund management or administrative fee. The participation of funds in the NTF platform does not increase the cost of the same share class of the fund to the client. Funds that do not participate in the custodian’s NTF platform may have lower expense ratios, which may result in lower annual costs to the client; however, they generally incur transaction fees and trading costs.

### **Direct Fee Debit**

Clients generally provide us and/or certain Independent Managers with the authority to directly debit their accounts for payment of the 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 us. Alternatively, clients can elect to have us send a separate invoice for direct payment.

## **Account Additions and Withdrawals**

Clients may make additions to and withdrawals from their account at any time, subject to our right to terminate an account. Additions may be in cash or securities provided that the Firm reserves the right to liquidate any transferred securities or declines to accept particular securities into a client's account. Clients may withdraw account assets on notice to us, subject to the usual and customary securities settlement procedures. However, the Firm generally designs its portfolios as long-term investments, and the withdrawal of assets may impair the achievement of a client's investment objectives. We will consult with our clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they are 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.

## **Commissions and Sales Charges for Recommendations of Securities**

Clients can engage certain persons associated with us (but not the Firm directly) to render securities brokerage services under a separate commission-based arrangement. Clients are under no obligation to engage such persons and may choose brokers or agents not affiliated with us. Under this arrangement, the Firm's IARs, in their individual capacities as registered representatives of Lincoln Financial ("LPL"), will provide securities brokerage services and implement securities transactions under a separate commission-based arrangement. Supervised Persons may be entitled to a portion of the brokerage commissions paid to LPL, as well as a share of any ongoing distribution or service (trail) fees from the sale of mutual funds. We may also recommend no-load or load-waived funds, where no sales charges are assessed. Prior to effecting any transactions, clients are required to enter into a separate account agreement with LPL.

**Certain persons associated with us (but not the Firm directly)** are separately licensed as an independent insurance agent. In this capacity, they effects transactions in insurance products for clients and earn commissions for these activities. The fees you pay our firm for advisory services are separate and distinct from the commissions earned for insurance-related activities.

A conflict of interest exists to the extent that these advisors mentioned above recommend the purchase or sale of securities and/or insurance products, where our IARs receive commissions or other additional compensation as a result of their recommendations. The Firm has procedures in place to ensure that any recommendations made by such IARs are in the best interest of clients.

Additionally, Potentia pays LPL and Schwab transaction costs for each executed trade in wrap fee accounts. As a result, we have a financial incentive to limit orders for wrap fee accounts because trades increase our transaction costs. Thus, an incentive exists to trade less frequently in a wrap fee program.

## **Item 5 - Account Requirements and Types of Clients**

We offer services to individuals including high net worth individuals, pension and profit-sharing plans, trusts, estates, charitable organizations, corporations, and other business entities.

### **Minimum Account Requirements**

We do not impose minimum account requirements for opening and maintaining an investment management relationship.

## **Item 6 - Portfolio Manager Selection and Evaluation**

### **Performance-Based Fees and Side-by-Side Management**

We do 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). "Side-by-Side Management" refers to a situation in which the same firm manages accounts that are billed based on a percentage of assets under management, hourly charges, fixed fees (not including subscription fees) and at the same time manages other accounts for which fees are assessed on a performance fee basis. Because we have no performance-based fee accounts,



we do not engage in side-by-side management.

## **Methods of Analysis**

We use multiple analyses methods and strategies as part of our overall investment management discipline; the implementation of these analyses as part of our investment advisory services to you may include any, all, or a combination of the following:

### ***Fundamental Analysis***

Fundamental analysis is a technique that concentrates on factors that determine a company's value and expected future earnings. It involves analyzing its financial statements and health, its management and competitive advantages and its competitors and markets. Fundamental analysis is performed on historical and present data but with the goal of making financial forecasts. There are several possible objectives: to conduct a company stock valuation and predict its probable price evolution; to make a projection on its business performance; to evaluate its management and make internal business decisions and to calculate its credit risk. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.

### ***Technical Analysis***

Technical Analysis is a method of evaluating securities by relying on the assumption that market data, such as charts of price, volume and open interest can help predict future (usually short-term) market trends. It attempts to predict a future stock price or direction based on market trends. Technical analysis assumes that market psychology influences trading in a way that enables predicting when a stock will rise or fall. Technical analysis methods employ software and other financial data management tools to assess various aspects of the marketplace. The risk is that markets do not always follow patterns and relying solely on this method may not work long term.

### ***Top-Down Analysis***

Top-Down Analysis is a method of analyzing securities by starting with the big picture and then narrowing down to the specific details. This strategy includes macroeconomic analysis, geopolitical and capital market conditions, business regulations and industry developments. The analysis is used to determine what areas have the most favorable conditions for investing. The next step is to analyze the sectors or industries within the selected area that are expected to benefit from the macroeconomic trends. The final step in the analysis is to evaluate individual stocks or securities within the chosen sectors or industries based on fundamental analysis. This may include looking at financial statements, earning reports, valuation ratios, competitive advantages, growth.

### ***Investment Strategies***

Our approach to investment management is derived from the belief that hard work is rewarded, a clear mind makes the best decisions, and that people are deeper than their pockets. We know our clients and they know us. It is a bond of mutual trust and appreciation - something we do not take for granted. We strive to minimize fees and tax implications but recognize that the ultimate goal for our clients is not the mitigation of costs, but the overall growth of their assets. We focus on what has been proven, over time, to produce results. We believe the most effective means of outperforming the market is to use creative analysis, to research our investments diligently, and to exercise cautious decisiveness.

### ***Risk of Loss***

***Clients must be aware that investing in securities involves risk of loss of the principal.***

Every method of analysis has its own inherent risks. To perform an accurate investment analysis Potentia must have access to current market information. Potentia has no control over the dissemination rate of market information; therefore, unbeknownst to Potentia certain analyses may be compiled with old and inaccurate market information, severely limiting the value of Potentia's analysis. Furthermore, an accurate investment analysis can only produce a forecast of the direction of market values. There can be no

assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Potentia) will be profitable or equal any specific performance level(s). Potentia does not represent, warrant, or imply that its services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. Notwithstanding Potentia's method of analysis or investment strategy, the assets within the client's portfolio are subject to risk of devaluation or loss. The client should be aware that there are many different events that can affect the value of the client's assets or portfolio including, but not limited to, changes in financial status of companies, market fluctuations, changes in exchange rates, trading suspensions and delays, economic reports, and natural disasters.

All investment programs have certain risks that are borne by the investor.

Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

***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, or mutual 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 will be worth more today than a dollar next year, because purchasing power is eroding at the rate of inflation.

***Prepayment Risk***

- The returns on the collateral for the deal can change dramatically at times if the debtors prepay the loans earlier than scheduled.

***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***

- This risk is associated with a particular industry or a particular company within an industry.

***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.

Risk Factors relevant to specific securities utilized include:

***Equities Securities***

The value of the equity securities is subject to market risk, including changes in economic conditions, growth rates, profits, interest rates and the market's perception of these securities. While offering greater potential for long-term growth, equity securities are more volatile and riskier than some other forms of investment.

### ***Exchange Traded Funds (“ETF”)***

ETFs are a recently developed type of investment security, representing an interest in a passively managed portfolio of securities selected to replicate a securities index, such as the S&P 500 Index or the Dow Jones Industrial Average, or to represent exposure to a particular industry or sector. Unlike open-end mutual funds, the shares of ETFs and closed-end investment companies are not purchased and redeemed by investors directly with the fund, but instead are purchased and sold through broker-dealers in transactions on a stock exchange. Because ETF and closed-end fund shares are traded on an exchange, they may trade at a discount from or a premium to the net asset value per share of the underlying portfolio of securities. In addition to bearing the risks related to investments in equity securities, investors in ETFs intended to replicate a securities index bear the risk that the ETF’s performance may not correctly replicate the performance of the index. Investors in ETFs, closed-end funds and other investment companies bear a proportionate share of the expenses of those funds, including management fees, custodial and accounting costs, and other expenses. Trading in ETF and closed-end fund shares also entails payment of brokerage commissions and other transaction costs.

### ***Inverse ETF***

An inverse ETF generally seeks to deliver the opposite of the daily performance of the index or benchmark that it tracks. Inverse ETFs often are marketed as a way for investors to profit from, or at least hedge their exposure to, downward-moving markets. Some ETFs are both inverse and leveraged, meaning that they seek a return that is a multiple of the inverse performance of the underlying index. To accomplish their objectives, leveraged and inverse ETFs use a range of investment strategies, including swaps, future contracts and other derivative instruments. ETFs (including leveraged, inverse, and leveraged inverse) trade on an auction market. Therefore, there is more price fluctuation with ETFs than with mutual funds since ETFs trade throughout the day, whereas mutual funds are priced once a day. Also, since most ETFs only mirror a market index, such as the S&P 500, they won’t outperform the index. A significant amount of principal could be lost in these securities rapidly and tax laws could change and affect the tax treatment of this investment.

### ***Non-traditional ETFs***

Non-traditional ETFs, including leveraged and inverse ETFs, are not suitable for most investors. Non-traditional ETFs are trading vehicles in which daily rebalancing and market volatility have a significant impact on the realized return. The effects of mathematical compounding can grow significantly over time, leading to scenarios whereby performance over the long run can differ significantly from the performance (or inverse performance) of their underlying index or benchmark during the same period of time. Leveraged, inverse, and leveraged inverse ETFs are more volatile and riskier than traditional ETFs due to their exposure to leverage and derivatives, particularly total return swaps and futures. In addition, these instruments are typically designed to achieve their desired exposure on a daily (in a few cases, monthly) basis. Holding leveraged, inverse, and leveraged inverse ETFs for longer periods of time increases their risk due to the effects of compounding and the inherent difficulty in market timing. Non-traditional ETFs should be monitored closely due to their volatile nature and inability to track the underlying index over an extended period of time. Non-traditional ETFs are not intended to be held long term. ETFs over a period longer than one day can differ significantly from their stated performance objectives.

### ***Fixed Income Securities Risk***

Prices of fixed income securities tend to move inversely with changes in interest rates. Typically, a rise in rates will adversely affect fixed income security prices. The longer the effective maturity and duration of the client’s portfolio, the more the portfolio’s value is likely to react to interest rates. For example, securities with longer maturities sometimes offer higher yields, but are subject to greater price shifts because of interest rate changes than debt securities with shorter maturities. Some fixed income securities give the issuer the option to call, or redeem, the securities before their maturity dates. If an issuer calls its security during a time of declining interest rates, we might have to reinvest the proceeds in an investment offering a lower yield, and therefore might not benefit from any increase in value because of declining interest rates. During periods of market illiquidity or rising interest rates, prices of callable issues are subject to increased price fluctuation.

### ***Municipal Bond Risk***

Municipal securities issuers may face local economic or business conditions (including bankruptcy) and litigation, legislation or other political events that could have a significant effect on the ability of the municipality to make payments on the interest or principal of its municipal bonds. In addition, because municipalities issue municipal securities to finance similar types of projects, such as education, healthcare, transportation, infrastructure and utility projects, conditions in those sectors can affect the overall municipal bond market. Furthermore, changes in the financial condition of one municipality may affect the overall municipal bond market. The municipal obligations in which clients invest will be subject to credit risk, market risk, interest rate risk, credit spread risk, selection risk, call and redemption risk and tax risk, and the occurrence of any one of these risks may materially and adversely affect the value of the client's assets or profits.

### ***Mutual Fund Shares***

Some of the risks of investing in mutual fund shares include: (i) the price to invest in mutual fund shares is the fund's per share net asset value (NAV) plus any shareholder fees that the fund imposes at the time of purchase (such as sales loads), (ii) investors must pay sales charges, annual fees, and other expenses regardless of how the fund performs, and (iii) investors typically cannot ascertain the exact make-up of a fund's portfolio at any given time, nor can they directly influence which securities the fund manager buys and sells or the timing of those trades.

### ***Alternative Investments***

Alternative investments are financial assets that do not fall into conventional asset categories, like stocks, bonds and cash. Alternative assets allow investors to diversify their holdings and pursue returns less correlated with the stock market. Risks of alternative investments may include but are not limited to lack of regulation, lack of transparency, low liquidity, difficult to value, high minimum investments, and greater risk.

### ***Structured Products***

Structured products are designed to facilitate highly customized risk-return objectives. While structured products come in many different forms, they typically consist of a debt security that is structured to make interest and principal payments based upon various assets, rates or formulas. Many structured products include an embedded derivative component. Structured products may be structured in the form of a security, in which case these products may receive benefits provided under federal securities law, or they may be cast as derivatives, in which case they are offered in the over-the-counter market and are subject to no regulation. Investing in structured products includes significant risks, including valuation, lack of liquidity, price, credit and market risks. The relative lack of liquidity is due to the highly customized nature of the investment and the fact that the full extent of returns from the complex performance features is often not realized until maturity. Another risk with structured products is the credit quality of the issuer. Although the cash flows are derived from other sources, the products themselves are legally considered to be the issuing financial institution's liabilities. The vast majority of structured products are from high-investment-grade issuers only. Also, there is a lack of pricing transparency. There is no uniform standard for pricing, making it harder to compare the net-of-pricing attractiveness of alternative structured product offerings than it is, for instance, to compare the net expense ratios of different mutual funds or commissions among broker-dealers.

### ***Private Placements***

Private placements carry a substantial risk as they are subject to less regulation than are publicly offered securities, the market to resell these assets under applicable securities laws may be illiquid, due to restrictions, and the liquidation may be taken at a substantial discount to the underlying value or result in the entire loss of the value of such assets.

### ***Real Estate Related Securities Risk***

Investing in real estate related securities includes, among others, the following risks: possible declines in the value of real estate; risks related to general and local economic conditions, including increases in the

rate of inflation; possible lack of availability of mortgage funds; overbuilding; extending vacancies of properties; increases in competition, property taxes and operating expenses; changes in zoning laws; costs resulting from cleanup of, and liability to third parties for damages resulting from environmental problems; casualty or condemnation losses; uninsured damages from floods, earth quakes or other natural disasters; limitations on and variations in rents; and changes in interest rates. Investing in Real Estate Investment Trusts (“REITs”) involves certain unique risks in addition to those risks associated with investing in the real estate industry in general. REITs are dependent upon management skills, are not diversified, and are subject to heavy cash flow dependency, default by borrowers and self-liquidation.

### ***System Failures and Reliance on Technology Risks***

The firm’s investment strategies, operations, research, communications, risk management, and back-office systems rely on technology, including hardware, software, telecommunications, internet-based platforms, and other electronic systems. Additionally, parts of the technology used are provided by third parties and are, therefore, beyond our direct control. We seek to ensure adequate backups of hardware, software, telecommunications, internet-based platforms, and other electronic systems, when possible, but there is no guarantee that our efforts will be successful. In addition, natural disasters, power interruptions and other events may cause system failures, which will require the use of backup systems (both on- and off-site). Backup systems may not operate as well as the systems that they back up and may fail to properly operate, especially when used for an extended period. To reduce the impact a system failure may have, we continually evaluate our backup and disaster recovery systems and perform periodic checks on the backup systems’ conditions and operations. Despite our monitoring, hardware, telecommunications, or other electronic systems malfunctions may be unavoidable, and result in consequences such as the inability to trade for or monitor client accounts and portfolios. If such circumstances arise, the Investment Committee will consider appropriate measures for clients.

### ***Cybersecurity Risk***

A portfolio is susceptible to operational and information security risks due to the increased use of the Internet. In general, cyber incidents can result from deliberate attacks or unintentional events. Cyberattacks include, but are not limited to, infection by computer viruses or other malicious software code, gaining unauthorized access to systems, networks, or devices through “hacking” or other means for the purpose of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cybersecurity failures or breaches by third-party service providers may cause disruptions and impact the service providers’ and our business operations, potentially resulting in financial losses, the inability to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement, or other compensation costs, and/or additional compliance costs. While we have established business-continuity plans and risk management systems designed prevent or reduce the impact of such cyberattacks, there are inherent limitations in such plans and systems due in part to the everchanging nature of technology and cyberattack tactics.

### ***Pandemic Risks***

The recent outbreak of the novel coronavirus rapidly became a pandemic and has resulted in disruptions to the economies of many nations, individual companies, and the markets in general, the impact of which cannot necessarily be foreseen at the present time. This has created closed borders, quarantines, supply chain disruptions and general anxiety, negatively impacting global markets in an unforeseeable manner. The impact of the novel coronavirus and other such future infectious diseases in certain regions or countries may be greater or less due to the nature or level of their public health response or due to other factors. Health crises caused by the recent coronavirus outbreak or future infectious diseases may exacerbate other pre-existing political, social, and economic risks in certain countries. The impact of such health crises may be quick, severe and of unknowable duration. This pandemic and other epidemic and pandemics that may arise in the future could result in continued volatility in the financial markets and could have a negative impact on investment performance.

The above list of risk factors does not purport to be a complete list or explanation of the risks involved in an investment strategy. In addition, due to the dynamic nature of investments and markets, strategies may

be subject to additional and different risk factors not discussed above.

### **Overall Risks**

Clients need to remember that past performance is no guarantee of future results. All funds carry some level of risk. You may lose some or all the money you invest, including your principal, because the securities held by a fund go up and down in value. Dividend or interest payments may also fluctuate, or stop completely, as market conditions change.

Before you invest, be sure to read a fund's prospectus and shareholder reports to learn about its investment strategy and the potential risks. Funds with higher rates of return may take risks that are beyond your comfort level and are inconsistent with your financial goals.

You are encouraged to consult your financial advisor, legal counsel, and tax professional on an initial and continuous basis in connection with selecting and engaging in the services we provide. In addition, due to the dynamic nature of investments and markets, strategies may be subject to additional and different risk factors not discussed above.

### **Proxy Voting**

Potentia will not vote proxies which are solicited for securities held in client accounts. Potentia will not be required to render any advice with respect to the voting of proxies solicited by or with respect to the issuers of securities in which assets of the client's account may be invested in occasionally. Furthermore, Potentia will not take any action or render any advice with respect to any securities held in any client's accounts that are named in or subject to class action lawsuits. Potentia will, however, forward to the client any information received by Potentia regarding class action legal matters involving any security held in the client's account.

### **Class Actions**

In addition, as a general policy, we do not elect to participate in class action lawsuits on behalf of a client. Rather, such decisions shall remain with the client or with an entity the client designates. We may assist in determining whether they should pursue a particular class action lawsuit by assisting with the development of an applicable cost-benefit analysis, for example. However, the final determination of whether to participate, and the completion and tracking of any such related documentation, shall rest with the client.

## **Item 7 - Client Information Provided to Portfolio Managers**

We have access to client information as our Supervised Persons act as the portfolio managers for the Wrap Fee Programs described in Item 4 above. Pursuant to applicable Federal and/or State Privacy Regulations, we are a financial institution that has determined to keep confidential the non-public personal information about each of our clients.

In opening an advisory account, our Supervised Persons will obtain the necessary financial data from the client, assist the client in determining the suitability of the Program and assist the client in setting appropriate investment objectives.

## **Item 8 - Client Contact with Portfolio Managers**

Clients may contact our Supervised Persons directly to discuss their accounts in detail. We have not placed any restrictions on your ability to contact and consult with your portfolio manager.

## **Item 9 - Additional Information**

### **Disciplinary Information**

Registered investment advisers are required to disclose any legal or disciplinary events that are material

to a client's or prospective client's evaluation of our investment management business or the integrity of our management. Neither Potentia nor any of its management persons have been involved in legal or disciplinary events that are related to past or present investment clients.

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

In the interest of promoting fair, equitable, and ethical principles as a registered investment advisor, we are required to disclose when Potentia, our representatives or any of our employees may have any material conflicts of interests which may impair the rendering of unbiased and objective advice. Any known and potential material conflicts of interest that may impair the client investment management relationship are reasonably disclosed in this Brochure. Should you have any additional questions or concerns, please contact Kevin Swanson, Chief Compliance Officer by phone at (408) 288-7886. Potentia is not a registered Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor and does not have an application pending to register as such. Furthermore, Potentia's management and supervised persons are not registered as and do not have an application pending to register as an associated person of the foregoing entities. Potentia does not have any material arrangements that are material to its advisory clients.

### ***Registered Representatives of a Broker/Dealer***

In some instances, the Firm's Supervised Persons are also registered with LPL Financial ("LPL"), (CRD#: 6413/SEC#: 801-10970, 8-17668) as FINRA broker-dealer registered representatives. A conflict of interest exists to the extent that Supervised Persons of Potentia, in their individual capacities as registered representatives of LPL, recommend Clients utilize the brokerage services of LPL where Supervised Persons receive commissions, concessions, sales charges and/or other transaction fees for brokerage and/or insurance services provided. Potentia is a separate entity and is not affiliated with LPL. Clients are in no way required to purchase any product or service through any Supervised Person of Potentia in their outside capacities as an LPL registered representative. This arrangement is described in Item 4.

### ***Licensed Insurance Agents***

Certain persons associated with us (but not the Firm directly) are separately licensed as an independent insurance agent. In this capacity, they effect transactions in insurance products for clients and earn commissions for these activities. The fees you pay our firm for advisory services are separate and distinct from the commissions earned for insurance-related activities.

This presents a conflict of interest because these advisors may have an incentive to recommend securities and/or insurance products to you for the purpose of generating commissions rather than solely based on your needs. However, you are under no obligation, contractually or otherwise, to purchase securities and insurance products through any person affiliated with us. We have procedures in place to ensure that all recommendations are made in the best interests of clients regardless of any additional compensation earned. The Firm has procedures in place to ensure that any recommendations made by such IARs are in the best interest of clients.

### ***Tax Services***

Potentia is related through common ownership and control to Enabled Nation, Inc., DBA name "Potentia Tax." Though not owned by Potentia RIA, LLC, Potentia Tax is a separate entity owned by the principal owner of Potentia RIA, LLC and is under common control. This entity prepares and files federal income tax returns, and applicable tax returns for the state and local taxing authorities in which individuals declare residency. Owner Kevin Swanson acts in a separate capacity for this entity. Because of the affiliated nature, referral to Potentia Tax presents a conflict of interest as both firms have an economic incentive to refer clients to each other as opposed to other tax providers.

Use of Potentia Tax requires separate engagement with this company. It's important that you know that when we recommend the services of Potentia Tax, you are never obligated or required to use their services. However, these services are included in the subscription financial plan services and Potentia Tax will

charge their hourly fees to Potentia RIA and not the client. There are other tax preparation firms that offer similar services to Potentia Tax, and those services may be available for less expensive rates. Whenever we recommend Potentia Tax, we encourage you to consider other tax preparers as well.

### **Code of Ethics**

All employees of Potentia must act in an ethical and professional manner. In view of the foregoing and applicable provisions of relevant law, Potentia has adopted a Code of Ethics in its Employee Policies and Procedures Manual to specify and prohibit certain types of transactions deemed to create conflicts of interest (or the potential for or the appearance of such conflicts), and to establish reporting requirements and enforcement procedures relating to personal trading by Potentia personnel. Potentia Code of Ethics is in its Employee Policies and Procedures Manual, which specifically deals with professional standards, insider trading, personal trading, gifts and entertainment, and fiduciary duties, establishes ideals for ethical conduct based upon fundamental principles of openness, integrity, honesty, and trust. We will provide a copy of our Code of Ethics to any client or prospective client upon request.

Clients and prospective clients can contact us to request a copy of our Code of Ethics.

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

Neither we nor any of our supervised persons have any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this Brochure.

Our Chief Compliance Officer, or designee, will review all securities transactions of our IARs and files of securities transactions effected for our IARs will be maintained for review. To mitigate conflicts of interest, all our employees must comply with our Compliance Manual and Code of Ethics, which imposes disclosure requirements on the purchase or sale of securities for their own accounts and the accounts of certain related persons.

We do not execute transactions on a principal or agency cross basis.

Our compliance policies and procedures prohibit anyone associated with us from having an interest in a client account or participating in the profits of a client's account without the approval of the CCO.

The following acts are prohibited:

- Employing any device, scheme, or artifice to defraud.
- Making any untrue statement of a material fact.
- Omitting to state a material fact necessary in order to make a statement, considering the circumstances under which it is made, not misleading.
- Engaging in any fraudulent or deceitful act, practice, or course of business.
- Engaging in any manipulative practices.

### **Personal Trading**

At times, Potentia or its affiliated persons may buy or sell securities for its own accounts that it has also recommended to clients. However, any purchase or sale of a security by Potentia or a related person will be subject to Potentia's fiduciary duty to client accounts. From time to time, representatives of Potentia may buy or sell securities for themselves at or around the same time as Potentia's client accounts. In any instance where similar securities are bought or sold, Potentia will uphold its fiduciary duty by always transacting on behalf of the client before transacting for its own benefit. Potentia will always document any transactions that could be construed as conflicts of interest. To mitigate or remedy any conflicts of interest or perceived conflicts of interest, Potentia will monitor its proprietary and personal trading reports for adherence to its Code of Ethics.

### **Review of Accounts**

While the underlying securities are continually monitored, reviews are conducted at least annually, or more frequently upon receipt of information material to the management of a client portfolio, or any time



such review is deemed necessary or advisable by us, or upon specific client request. Reviews will be conducted by the Chief Compliance Officer. You may request that your IAR review your account more frequently and may set thresholds for triggering events that would cause a review by your IAR to take place. Generally, we will monitor changes and shifts in the economy, changes to the management and structure of a mutual fund or company in which client assets are invested, and market shifts and corrections. Other triggering events may include changes to our investment recommendations and changes to your financial situation and/or investment needs.

### **Account Statements and Reports**

Clients are provided with written transaction confirmations and account statements directly from the custodian. Clients may also receive written or electronic reports from us 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 upon request. You should carefully review those statements promptly when you receive them, to review and verify activities including contributions and distributions reported in accounts. We urge you to compare the account statements you receive from your custodian with any documents or reports you receive from us or an outside service provider. If any discrepancies are noted, you should immediately report the findings to us, your IAR or your custodians. Please Note: Each client is responsible for promptly notifying us of any change in the financial situation or investment objectives.

### **Client Referrals**

Potentia does not receive client referrals from third parties for recommending the use of specific broker-dealer brokerage services.

### **Other Compensation**

Potentia does not receive an economic benefit (such as sales awards or other prizes) from any third party for providing investment advice or other advisory services to its clients. Potentia does not currently receive “soft dollars.” Under “soft dollar” arrangements, one or more of the brokerage firms would provide or pay the costs of certain services, equipment, or other items. These soft dollar benefits are attributed to the investment advisor by reducing its expenses; however, the amount of the fee paid to the investment advisor by the client would not be reduced. Making allocations to brokerage businesses with soft dollar arrangements could enhance the ability to obtain research, optimal execution and other benefits on behalf of clients.

Potentia will require clients to open an account with LPL or Schwab. This arrangement is designed to maximize efficiency and to be cost effective for Potentia’s clients. By requiring clients to use these custodians, which Potentia has approved, Potentia seeks to achieve “best execution” of client transactions. Potentia does not permit clients to direct the use of a particular brokerage firm. Not all advisors restrict clients’ ability to direct brokerage.

### **Financial Information**

We are 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 take custody of client funds or securities,
- 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 currently, nor have been, at any time the subject of a bankruptcy petition.

### **PRIVACY STATEMENT**

We are committed to safeguarding your confidential information and hold all personal information provided to us in the strictest confidence. These records include all personal information that we collect from you or receive from other firms in connection with any of the financial services they provide. We also require other firms with whom we deal to restrict the use of your information. Our Privacy Policy is available upon request.