



## **Form ADV Part 2A Firm Brochure**

### **Advisory Group of San Francisco, LLC.**

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#### **Item 1 – Cover Page**

This brochure provides information about the qualifications and business practices of The Advisory Group of San Francisco, LLC. If you have any questions about the contents of this brochure, contact us at 415-977-1201. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about The Advisory Group of San Francisco, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The Advisory Group of San Francisco, LLC is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.



## Item 2 – Material Changes

Since the last annual filing of this brochure on 3/29/2023, the following material changes have occurred:

- The Firm moved our main office location from Suite 2410 to Suite 300, in the same building at 44 Montgomery Street, San Francisco, CA 94104.

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## **Item 4 – Advisory Business**

The Advisory Group of San Francisco, LLC ("Advisory Group" or "Firm") is an SEC-registered investment adviser based in San Francisco, California. We are organized as a limited liability company under the laws of the State of Delaware. We have been providing investment advisory services since 1999. Gregory H. Patterson and Roger B. Patterson are our principal owners with more than 30 years of collective industry experience.

As used in this brochure, the words "we", "our" and "us" refer to The Advisory Group of San Francisco, LLC, and the words "you", "your" and "client" refer to you as either a client or prospective client of our firm. Also, you may see the term Associated Person throughout this Brochure. As used in this Brochure, our Associated Persons are our firm's officers, employees, and all individuals providing investment advice on behalf of our firm.

We serve individuals and institutions with comprehensive financial advice through an experienced team and leading national, institutional-quality resources. We are a fiduciary to all of our clients and accept the responsibility of holding our firm and our Associated Persons to the highest legal standard of care.

We are a "fee-only" investment advisor. "Fee-only" means we are paid exclusively by our clients and the amounts of all such compensation are fully disclosed to clients in writing. We do not sell products and we do not receive commissions or other remuneration from any source.

We provide Investment Advisory Services primarily on a discretionary basis and, on occasion, for certain institutional clients only, on a non-discretionary basis. We endeavor to recommend or select appropriate investment vehicles for our clients. If you retain our services, all recommendations or selections are made exclusively in your best interests, as we have no affiliation with any investment manager. Investment vehicles generally consist of open-ended mutual funds, commingled funds, exchange-traded funds (ETFs), separately managed accounts, and unified managed accounts.

Separately managed accounts are only available if you have an account size that meets the separate account manager's minimum. Generally, the terms and conditions under which you may engage a separate account manager(s) are set forth in a separate written agreement between you and the designated separate account manager(s). If, however, you participate in the Callan Unified Managed Account Program, discussed more fully below, you will not enter into a separate agreement with the separate account manager. In both types of arrangements, we will continue to render investment advisory services to you to monitor and review the separate account manager's performance, your asset allocation and individual investment objectives.

If you enter the relationship with existing securities (e.g., individual stocks, bonds, annuity products, closed-end funds) or with a unique situation which warrants different investment vehicles, we will make recommendations accordingly. Factors that we consider in recommending or selecting investments include your stated investment objectives and risk tolerance; investment manager's style, performance, reputation, financial strength, reporting, pricing, and research; and taxes.

### **Selection of Other Advisers**

We may recommend that you use the services of a third-party money manager ("TPMM") which includes third party separate account managers, to manage all, or a portion of, your investment portfolio. After gathering information about your financial situation and objectives, we may recommend that you engage a specific TPMM or investment program. Factors that we take into consideration when making our recommendation(s) include, but are not limited to, the following: the TPMM's performance,

methods of analysis, fees, your financial needs, investment goals, risk tolerance, and investment objectives. We will monitor the TPMM(s)' performance to ensure its management and investment style remains aligned with your investment goals and objectives.

The TPMM(s) will actively manage your portfolio and will assume discretionary investment authority over your account. TPMM shall be authorized to buy, sell, and trade in securities in accordance with Client's investment objectives as communicated by Advisor and to give instructions in furtherance of such trading authority to the broker-dealer and the custodian. The fees payable to the TPMM are separate and independent of our investment Advisory fees.

## **INVESTMENT ADVISORY SERVICES**

We have formed important strategic relationships for the benefit of our clients. We are a select member of the Callan Associates Inc. ("Callan") Independent Advisor Group ("IAG"). Callan is one of the largest independent investment consulting firms in the country and provides research, education, decision support and advice to a broad array of institutional investors. Through our membership in Callan's IAG, we make these resources available to our clients that are normally not available to individual investors or middle-market institutions. This membership gives us access to substantial Callan resources, including:

- Capital Markets Projections related to Risk, Return and Correlations of Asset Classes;
- Asset simulation software;
- A research list based on objective and in-depth qualitative and quantitative due diligence of investment management organizations and products (in the form of mutual fund and separate account vehicles);
- Negotiated institutional custody services through multiple independent custodians;
- Performance measurement reports and software;
- Research related to numerous client needs.

The investment implementation of our Wealth Strategy Services is normally delivered in the form of a comprehensive five-step investment consulting process:

- An analysis of your investment positioning as it relates to your stated investment objectives and any fiduciary considerations.
- The design of an asset allocation strategy based on your time horizon, return expectations, risk tolerance, asset class preferences, tax considerations and liquidity needs.
- The formalization of an investment program in a written investment policy statement.
- The implementation of your investment program.
- The ongoing monitoring of your investment program and the systematic reporting of performance to you relative to the standards set forth in your investment policy statement.

## **INDIVIDUALS**

We provide holistic Wealth Strategy Services to families and individuals as detailed below. These services include discretionary Investment Advisory services that serve the needs of the taxable, tax-deferred, and non-taxable portions of our Clients' portfolios.

### **Client Access to Exclusive Non-Retail Funds**

Through our Investment Advisory Services, you will have access to certain investment benefits that may not otherwise be available to a retail investor. Such benefits include:

- Access to institutional share classes (i.e., lower cost share classes) of certain fund families;

- Access to certain fund families whose substantial minimums would normally preclude retail client investment; and
- Access to certain highly-regarded and generally low-cost fund families made available only to a select group of registered investment advisors.

### **Discretionary Investment Advisory Services**

We have authority to select the investments in your portfolio and make sub-asset class allocation decisions. However, any such selection must be consistent with your designated portfolio allocation as indicated in your Investment Policy Statement, as we do not have authorization to change the overall equity/fixed income allocation of your portfolio without your prior written authorization. We periodically rebalance your portfolio in accordance with your designated equity/fixed income allocation. We also perform tax loss harvesting for taxable accounts in the Full-Service and Limited-Service level (described below), as appropriate.

### **Custodian**

We generally recommend that you maintain your investment account at Charles Schwab & Co. ("Schwab"). If you participate in our WealthStep Portfolio program or utilize the Callan UMA Program (as described below), you must maintain custody at Schwab. Otherwise, you may direct us to use a custodian other than Schwab. (We may charge additional fees for use of such other custodians, as described below). You will enter into a separate custodial agreement with the designated custodian. Fees charged by the broker-dealer/custodian are exclusive of, and in addition to, our ongoing investment advisory fee as detailed below at the *Fees and Compensation* section.

### **Service Levels**

We offer three service levels to individual clients on a discretionary basis:

#### Full-Service Wealth Strategy

Our Full-Service Wealth Strategy level is generally available to clients with managed assets over \$1,500,000 and/or significant complexity in their financial circumstances and is subject to a minimum fee of \$15,000 annually. This service includes ongoing wealth management and financial advice as well as coordination of relevant financial issues. These issues may include financial independence planning, retirement, analysis of insurance needs, estate review, charitable giving, education funding, and special needs planning as detailed on the Wealth Strategy Services Agreement. In order to implement this strategy, we provide ongoing discretionary investment management for those assets separately designated in the Client's Investment Policy Statement. Our discretionary asset management is provided on a household basis and includes tax-sensitivity in the location of investments within taxable vs. tax-preferenced accounts and periodic rebalancing. Our full-service investment management includes customized portfolios with diversification into numerous asset classes and styles. We generally recommend the use of mutual funds and, in some cases, the use of separate account managers to implement the portfolio. Although we generally recommend that our clients select Schwab as the custodian of the managed assets, Full-Service clients may utilize other custodians, with some limitations, and additional fees as detailed in our Wealth Strategy Services Agreement.

#### Limited-Service Wealth Strategy

Our Limited-Service Wealth Strategy level is generally available to clients with managed assets over

\$750,000 and/or a level of complexity in their financial circumstances which warrants significant financial analysis. Limited-Service Wealth Strategy level and is subject to a minimum fee of \$10,000 annually. In addition to discretionary investment management, integrated financial planning services are included in the fee for Limited-Service Wealth Strategy for the first year of our engagement.

Thereafter, Client will receive updates to existing Financial Independence Planning only, as needed, not more than one time annually within standard scope, at no additional cost. This includes Monte Carlo scenario analysis of the probability of reaching goals given assumptions specific to client circumstances. At client's request, advisor will provide *additional* financial planning services for a minimum project fee of \$5,000, which is payable upon services rendered.

Both our Full-Service and Limited-Service Wealth Strategy services include financial planning advice relevant to our client's particular circumstances and advice on non-investment related matters. Such advice may include, but is not limited to financial independence, retirement, estate, insurance, tax, college savings, wealth transfer, real estate transactions and family business succession. For Full-Service clients, this advice is included on an ongoing basis; for Limited-Service clients, it is provided throughout the first year, with annual updates to the financial independence portion only.

Our advisors include Certified Financial Planners (CFP®). In performing our Wealth Strategy Services, our CFP® professionals adhere to the CFP Board's disclosure requirements, including defining the goals, needs and objectives of the client; gathering and providing appropriate data from and to the client; analyzing current course of action in addition to recommended actions; defining the responsibilities of implementation and monitoring.

Although our fees are calculated based on assets under management, due to the holistic nature of our Wealth Strategy Services, the benefit and value to the Client is not related solely to the asset management portion of our services, but to the integrated advice provided.

### WealthStep Portfolio

The WealthStep Portfolio program (previously known as the Personal Managed Portfolio program) is a limited scope arrangement designed for clients with accounts of \$100,000 or more. Clients may convert to our Premier program at any time, subject to the applicable fees (see below section on *Fees and Compensation*.) Clients utilizing the WealthStep Portfolios may choose from one of several standard portfolios, all of which are managed on a discretionary basis, covering a spectrum of risk and return characteristics. Clients have no ability to customize the portfolios and may change their portfolio designation no more than once per year. Investments in the WealthStep Portfolios consist of both actively and passively managed mutual funds and are rebalanced periodically. Assets must be held in custody at Schwab and payment of our fee must be by way of deduction from the account. The WealthStep Portfolio may be utilized for tax-deferred and/or taxable portfolios without householding. Under this limited scope arrangement, Clients are solely responsible for reviewing the materials provided by our firm and selecting a suitable WealthStep Portfolio given risk tolerances and time horizon. Our services under this arrangement do not include personal consultations, analysis

of Client's current position or goals, consideration of Client's other accounts or outside assets, or any other planning services. We provide this limited scope arrangement for a substantially reduced fee.

### **INSTITUTIONS**

We provide fiduciary services for mid-sized institutions (\$10 million to \$300 million in investable assets), including 401(k), profit sharing, defined benefit, and cash balance plans, as well as for foundations and endowments. We make our services available to participant-directed plans with less



than \$10 million in assets through our Select Plan program and to trustee-directed plans with less than \$10 million in assets on a discretionary basis only. We provide mid-sized organizations with a third-party, institutional-quality approach that is normally only available to those with assets in excess of \$500 million. For optimal results and to eliminate conflicts of interest, we utilize a transparent, objective institutional-quality process, have no in-house investment products or product ties, do not have soft-dollar arrangements, and we are only paid by our Clients. At our Client's request, we may also provide Investment Advisory and Spending Policy Analysis Services to foundations and endowments. Such services may require payment of a fee separate from and in addition to our Investment Advisory Fees as discussed below at *Fees and Compensation*.

Institutional accounts may be trustee-directed pools with a single allocation for each pool, or participant-directed plans with participants selecting their own individual allocation and/or among several pre-mixed diversified portfolios with differing equity/fixed income allocations. Trustee-directed pools include endowments, foundations, pooled profit-sharing plans, defined benefit plans, cash balance plans, and certain 401(k) plans that do not permit participant investment direction. Participant-directed plans are generally 401(k) plans but may include profit sharing or other defined contribution plans. Both trustee-directed pools and participant-directed plans may engage us on either a discretionary or non-discretionary basis, and our services vary based upon this choice.

### **Discretionary Investment Advisory Services**

For trustee-directed pools that engage our firm to provide services on a discretionary basis, we have authority to select the investments in our Client's portfolio and make sub-asset class allocation decisions. However, any such selection must be consistent with Client's designated equity/fixed income allocation, as we do not change the overall equity/fixed income allocation of Client's portfolio without Client's prior written authorization. Cash inflows/outflows are deployed in a manner consistent with Client's strategic asset allocation. For participant-directed plans that engage our firm to provide services on a discretionary basis, including those plans that are part of our Select Plan program, we have authority to select the investments in the plan's investment menu and/or within the diversified portfolio investment options offered within the plan. We also have authority to make sub-asset class allocation decisions within pre-mixed diversified portfolios. The target equity/fixed income allocations of diversified portfolios cannot be changed without Client's prior written authorization.

### **Non-discretionary Investment Advisory Services**

For trustee-directed pools that engage us to provide services on a non-discretionary basis, we will recommend an appropriate asset allocation, including sub-asset classes, and suitable investment managers and vehicles. Client retains absolute discretion over all investment decisions and is free to accept or reject any recommendation made by our firm. We generally maintain ongoing responsibility to make recommendations based upon Client needs, as to the specific mutual funds, ETFs, separate account managers, or other securities. If such recommendations are accepted by Client, we are responsible for arranging or effecting the purchase or sale. Periodic rebalancing of the account occurs only among Client approved designated investments for the purpose of reallocating the account in accordance with Client approved percentage asset allocations. Cash inflows/outflows are deployed in a manner consistent with Client's strategic asset allocation. For participant-directed plans that engage us to provide services on a non-discretionary basis, we recommend the appropriate asset classes to include in the investment menu. We also recommend the investment managers and the asset allocation, including sub-asset class allocation, for each pre-mixed diversified portfolio. Rebalancing of pre-mixed diversified portfolios within participant-directed plans is handled by the plan's third-party administrator.



## **Custodian**

For trustee-directed pools, we generally recommend that investment accounts be maintained at Schwab. For participant-directed plans, Client selects the preferred custodian based upon its relationship with the plan's record keeper/third-party administrator. All Clients enter into a separate custodial agreement with the designated custodian. Clients must also enter into a separate agreement with the record keeper/third party administrator. Fees charged by record keeper/third party administrator and/or broker-dealer/custodian are exclusive of, and in addition to, our ongoing Investment Advisory Fee as detailed below at the *Fees and Compensation* section.

## **PLANNING AND OTHER FINANCIAL ADVICE**

Planning and Other Financial Advice is included in the Full-Service and Limited-Service as detailed in the Service Level descriptions. We generally only provide these services to clients to have engaged us as part of these service levels.

## **ADVISORY SERVICES TO RETIREMENT PLANS AND PLAN PARTICIPANTS**

As disclosed above, we offer various levels of advisory and consulting services to employee benefit plans ("Plan") and to the participants of such plans ("Participants"). The services are designed to assist plan sponsors in meeting their management and fiduciary obligations to Participants under the Employee Retirement Income Securities Act ("ERISA"). Pursuant to adopted regulations of the U.S. Department of Labor, we are required to provide the Plan's responsible plan fiduciary (the person who has the authority to engage us as an investment adviser to the Plan) with a written statement of the services we provide to the Plan, the compensation we receive for providing those services, and our status (which is described below).

The services we provide to your Plan are described above, and in the service agreement that you have previously signed. Our compensation for these services is described below, at Item 5, and also in the service agreement. We do not reasonably expect to receive any other compensation, direct or indirect, for the services we provide to the Plan or Participants, unless the plan sponsor directs us to deduct our fee from the plan or directs the plan recordkeeper to issue payment for our fee out of the plan. If we receive any other compensation for such services, we will (i) offset the compensation against our stated fees, and (ii) we will promptly disclose the amount of such compensation, the services rendered for such compensation and the payer of such compensation to you.

In providing services to the Plan and Participants, our status is that of an investment adviser registered under the Investment Advisers Act of 1940, and we are not subject to any disqualifications under Section 411 of ERISA. In performing fiduciary services, we are acting as fiduciary of the Plan as defined in Section 3(21) under ERISA.

## **TERMINATION INFORMATION**

Either party may terminate the Investment Advisory Agreement at any time by one party giving the other party thirty (30) days' written notice of such termination. You will incur a pro-rata charge for services rendered prior to the termination of the agreement, which means you will incur advisory fees only in proportion to the number of days in the quarter for which you are a client. If you have pre-paid advisory fees that we have not yet earned, you will receive a prorated refund of those fees.

## **ACCURACY OF CLIENT INFORMATION AND ASSIGNMENT**

In providing the contracted services, we are not required to verify any information we receive from you or from your other professionals (e.g., attorney, accountant, etc.) and we are expressly authorized to rely on the information you provide. You must promptly notify our firm if your financial situation, goals, objectives, or needs change for the purpose of reviewing, evaluating, and/or revising our previous recommendations and/or services.

Neither party may assign the Investment Advisory Agreement without the consent of the other party. You acknowledge and agree that transactions that do not result in a change of actual control of management or our firm shall not be considered an assignment.

### **Types of Investments**

We generally recommend style specific mutual funds, commingled funds, exchange traded funds, money market funds, separate accounts, and/or a unified managed account for client portfolios. Additionally, we may recommend other types of investments since each client has different needs and different tolerances for risk. We may also advise you on any type of investment held in your portfolio at the inception of our advisory relationship, or on specific types of investments at your request.

If you require an enhanced and/or specialized level of investment consulting services, we may recommend that you authorize the active discretionary management of a portion of, or your entire, investment portfolio by and/or among certain Separately Managed Accounts (SMA) consistent with your stated investment objectives. SMA recommendations are not available to clients in the WealthStep Portfolio program.

Alternatively, or in addition, we may recommend that you utilize the Callan Unified Managed Account (UMA) Program. The Callan UMA Program is available to Full-Service and Institutional clients who may benefit from this specialized investment program and who meet minimum asset requirements to participate in the program. The Callan UMA Program allows investors to access separate account portfolios and mutual fund investment strategies via the program's overlay advisor, NGAM Advisors, ("NGAM"), an SEC-registered investment adviser. We have entered into a written agreement with NGAM in order to be able to provide this service to our clients, as appropriate. If you participate in the UMA Program, you do so via our agreement with NGAM. Performance reporting for accounts in this program is provided by Callan. Clients in the Callan UMA Program pay a separate fee to NGAM as set forth in our written UMA Implementation Agreement, which you must sign prior to participating in the Callan UMA Program. The NGAM fee is in addition to, and separate from, our Advisory Fee, and is inclusive of the fee paid to Callan.

You may request that we refrain from investing in particular securities or certain types of securities. You must provide these restrictions to our firm in writing on the Investment Policy Statement.

### **Assets Under Management**

As of December 31, 2022, we manage a total of \$730,001,057 and of this amount, we manage all client assets on a discretionary basis and \$0 in client assets on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

### **INVESTMENT ADVISORY FEES**

Our Investment Advisory fees, as described below, are exclusive of, and in addition to, other fees that you may incur, including, but not limited to, the following types of fees: custody and transaction,

separate account manager, overlay manager, third-party administrator, directed-trustee, legal, audit, and funds' internal investment expenses.

Clients using separate account managers pay separate account manager fees directly to the managers. Clients using a Unified Managed Account (UMA) program pay fees directly to the UMA overlay manager and the underlying separate account managers. Institutional clients pay all other retirement plan providers directly (such as trustee fees, record keeper fees, audit fees, legal fees.)

### **Individual Clients (Full-Service and Limited-Service) and Institutional Clients**

Our fees for Institutional and Individual Clients are normally calculated on a tiered schedule based upon a percentage of assets under management ("AUM"). Specific assets or accounts that Client designates as unmanaged (i.e., courtesy accounts) are not included in fee calculations or performance reporting. The effective rate of our annual fee typically ranges from .35% to 1.10% of assets under management. Our standard minimum annual fee is \$15,000 (\$3,750 per quarter) for Full Service and \$10,000 for Limited Service. The standard minimum annual fee for Institutional clients is \$30,000 (\$7,500 per quarter), or \$15,000 (\$3,750 per quarter) on the Select Plan program. Minimum fees may be reduced or waived in limited instances. Fees are fully disclosed in writing prior to engagement. Fees are charged quarterly in advance and are based upon the value of the assets under management as of the last day of the preceding quarter. Generally, our fees are deducted directly from Client's accounts for individual clients and pooled institutional accounts and billed to the plan sponsor for participant-directed institutional accounts. Initial billing generally begins upon execution of the Wealth Services agreement and for Institutional Clients upon the execution of the Investment Advisory Agreement. The fee is based upon the expected value of the assets to be managed and is prorated to take into consideration the number of days in the quarter since execution of the agreement. No fee adjustment is made for cash inflows or outflows during billing cycles. For certain existing clients, fees are charged in arrears; however, this option is no longer available to new clients. We may, in our sole discretion, charge a lesser annual investment management fee based upon certain criteria. Additional fees may be charged for multiple asset allocations (\$500/quarter), manual data entry (\$250/account/quarter), certain direct costs associated with travel and education materials (at cost), participant education meetings (up to \$1,500 per day), special projects (varies depending upon scope of project), and one-time implementation or project-based fees (varies depending upon complexity of implementation or project).

### **Individual Clients (WealthStep Portfolios, formerly Personal Managed Portfolios)**

For each account within our WealthStep Portfolio program, our Fee for services shall be assessed at an annual rate of 0.85% of assets (85 basis points). For participants in the plans of certain Institutional Clients that have terminated their plans, we have made available to those plan participants our WealthStep Portfolio program at a reduced annual rate. We do not impose a minimum fee for this service, but we do generally require a minimum asset value of \$100,000. Fees are fully disclosed in writing prior to engagement and are deducted from the client's account. Fees are charged quarterly, in advance, and are based upon the value of the assets under management as of the last day of the preceding quarter. Initial billing begins upon the date the rollover is deposited into the account and is prorated to take into consideration the number of days in the quarter. No fee adjustment is made for cash inflows or outflows during billing cycles. We may, in our sole discretion, charge a lesser annual investment management fee.

### **Payment of Investment Advisory Fees**

Our Investment Advisory Agreement authorizes us to instruct Client's account Custodian to debit Client's account for the amount of our investment advisory fee and to remit that fee directly to us in accordance with procedures accepted by the United States Securities and Exchange Commission. Immediately upon the deduction of the fee, but no less than quarterly, we provide Client with a written billing statement showing the amount of fee deducted from each account and the calculation upon

which the fee was based. Clients also receive statements directly from the custodian which reflect the deduction of our fee. Institutional or Premier Clients may request that fees to be deducted from a single account or invoiced directly to Client. In the event that automatic fee deduction is not possible, we will invoice Client for the amount of our quarterly fee.

### **Planning Fee Information**

Prior to engaging our firm to provide Financial Planning Services not otherwise included in Full Service or Limited Service Wealth Strategy Services (e.g. planning projects beyond the usual scope or planning projects after year 1 for Limited Service), Client will generally be required to enter into a written Planning Agreement with us setting forth the terms and conditions of the engagement, describing the scope of the services to be provided, and any portion of the fee that is due from Client before we commence services. In no event will we accept fees for services that are to be performed later than six months from receipt of any fee.

Our planning fees are negotiable, but generally range from \$5,000 - \$20,000 on a fixed fee basis, depending on the level and scope of the services required. We may, in our sole discretion, charge a lesser planning fee or waive all, or a portion of, planning fees based upon various criteria we deem sufficient. In the event Client terminates the Planning Agreement prior to completion of the financial planning services, we will promptly refund any unearned balance of our fee.

Our written Planning Agreement authorizes the custodian to debit Client's account for the amount of our planning fee and to remit that fee directly to us in accordance with procedures accepted by the United States Securities and Exchange Commission. Immediately upon the deduction of the fee, but no less than quarterly, we will provide Client with a written statement showing the amount of fee deducted from Client's account and the calculation upon which the fee was based.

We may recommend the services of other professionals for implementation purposes or for specialized consulting beyond our area of expertise. Client is under no obligation to engage the services of any such recommended professional, nor will we receive any fee or other benefit by making such recommendations. Any fee charged by professionals in this context is separate from, and in addition to, our Wealth Strategy Services fees.

### **Additional Fees and Expenses**

As part of our investment advisory services to you, we may invest, or recommend that you invest, in mutual funds and exchange traded funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. You will also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. Refer to the *Brokerage Practices* section below for additional disclosure on this topic.

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

We do not accept performance-based fees or participate in side-by-side management. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Our fees are calculated as described in the *Fees and Compensation* section above and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in

your advisory account.

### **Item 7 – Types of Clients**

We offer investment advisory services to individuals, pension and profit-sharing plans, trusts, estates, charitable organizations, endowments, corporations, and other business entities.

We offer several different levels of service, each with different minimums. On the Institutional side, the minimum asset level for non-discretionary engagements is \$10 million. Plans or institutional accounts with assets between \$1 million and \$10 million can use our services on a discretionary basis only. On the Individual side, individuals who participate in the WealthStep Portfolio program must have minimum assets of \$100,000 in a single account to participate in the program. Individuals with total investable assets over \$1,500,000 across multiple accounts, or with complexity in their financial circumstances to warrant the \$15,000 minimum fee are eligible for our Full-Service Wealth Strategy Services. Those with total investable assets over \$750,000 or with complexity in their financial circumstances to warrant the \$10,000 minimum fee are eligible for Limited-Service Wealth Strategy Service. Refer to the description of each level of service at the *Advisory Business* section above for additional details regarding minimum fees and/or minimum account size requirements.

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

Through our association with Callan as described above at *Advisory Services*, we receive capital markets research, asset allocation and other investment planning technologies, investment manager due diligence information and performance evaluation services, for the benefit of our clients. We conduct additional quantitative and qualitative research on managers.

A long-term investment strategy is the cornerstone of our investment advisory and wealth building recommendations. Nonetheless, our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine recommendations and allocations based upon your predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various suitability factors. Your restrictions and guidelines may affect the composition of your investment portfolio. We do not trade on margin or sell short. Refer to the *Advisory Business* section above for a detailed discussion of our investment strategy,

In certain circumstances, we may recommend short-term trading (selling securities within one year of purchase) as an investment strategy. Short-term trading is not a fundamental part of our overall investment process, but we may use this strategy occasionally when we determine that it is suitable to implement tax efficient strategies.

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you consult with a tax professional prior to and throughout the investing of your assets.

As a result of recent IRS regulations, custodians and broker-dealers began reporting the cost basis of various securities acquired in client accounts on or after January 1, 2011. Depending on the type of account you have with our firm, we may consider the appropriateness of your tax status and we may specify tax lot selection methods as part of a tax-efficient portfolio management approach.

Nonetheless, you are responsible for contacting your tax advisor to determine what accounting method is best suited to you. If your tax advisor believes another accounting method is more advantageous, please provide written notice to our firm immediately and we will alert your account custodian of your individually selected accounting method. Please note that decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.



## **Risk of Loss**

Investing in securities and the capital markets involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our 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. You understand that our investment recommendations for your account are subject to various market, currency, economic, political, and business risks, and that those investment decisions will not always be profitable. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is not an indication of future performance.

We make no representation or guarantee, express or implied, concerning the timing of trades. We strive to place all trades in a timely fashion but make no representation or guarantee that we will process trade requests within a certain time frame. Without exception, we do not accept trade instructions by voice mail. We may accept trade instructions by email; however, you should not assume that your email instructions were received by us unless you receive a confirmation of receipt from our firm. A confirmation of receipt does not include automatic email responses such as read receipts or any out of office reply.

## **Other Risk Considerations**

When evaluating risk, financial loss may be viewed differently by each client and may depend on many different risks, each of which may affect the probability and magnitude of any potential losses. The following risks may not be all-inclusive but should be considered carefully by a prospective client before retaining our services.

**Liquidity Risk:** The risk of being unable to sell your investment at a fair price at a given time due to high volatility or lack of active liquid markets. You may receive a lower price, or it may not be possible to sell the investment at all.

**Credit Risk:** Credit risk typically applies to debt investments such as corporate, municipal, and sovereign fixed income or bonds. A bond issuing entity can experience a credit event that could impair or erase the value of an issuer's securities held by a client.

**Inflation and Interest Rate Risk:** Security prices and portfolio returns will likely vary in response to changes in inflation and interest rates. Inflation causes the value of future dollars to be worth less and may reduce the purchasing power of a client's future interest payments and principal. Inflation also generally leads to higher interest rates which may cause the value of many types of fixed income investments to decline.

**Horizon and Longevity Risk:** The risk that your investment horizon is shortened because of an unforeseen event, for example, the loss of your job. This may force you to sell investments that you were expecting to hold for the long term. If you must sell at a time that the markets are down, you may lose money. Longevity Risk is the risk of outliving your savings. This risk is particularly relevant for people who are retired or are nearing retirement.

## **Recommendation of Particular Types of Securities**

We primarily recommend Mutual funds, ETFs, and Separately managed accounts. However, we may advise on other types of investments as appropriate for you since each client has different needs and different tolerance for risk. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the potential return of an investment, the higher the risk of loss associated with it. You should be advised of the following risks when investing in these types of securities:

**Money Market Funds:** A money market fund is technically a security. The fund managers attempt to

keep the share price constant at \$1/share. However, there is no guarantee that the share price will stay at \$1/share. If the share price goes down, you can lose some or all of your principal. The U.S. Securities and Exchange Commission ("SEC") notes that "While investor losses in money market funds have been rare, they are possible." In return for this risk, you should earn a greater return on your cash than you would expect from a Federal Deposit Insurance Corporation ("FDIC") insured savings account (money market funds are not FDIC insured). Next, money market fund rates are variable. In other words, you do not know how much you will earn on your investment next month. The rate could go up or go down. If it goes up, that may result in a positive outcome. However, if it goes down and you earn less than you expected to earn, you may end up needing more cash. A final risk you are taking with money market funds has to do with inflation. Because money market funds are considered to be safer than other investments like stocks, long-term average returns on money market funds tends to be less than long term average returns on riskier investments. Over long periods of time, inflation can eat away at your returns.

**Certificates of Deposit:** Certificates of deposit ("CD") are generally a safe type of investment since they are insured by the Federal Deposit Insurance Company ("FDIC") up to a certain amount.

However, because the returns are generally low, there is risk that inflation outpaces the return of the CD. Certain CDs are traded in the market place and not purchased directly from a banking institution. In addition to trading risk, when CDs are purchased at a premium, the premium is not covered by the FDIC.

**Municipal Securities:** Municipal securities, while generally thought of as safe, can have significant risks associated with them including, but not limited to: the credit worthiness of the governmental entity that issues the bond; the stability of the revenue stream that is used to pay the interest to the bondholders; when the bond is due to mature; and, whether or not the bond can be "called" prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same amount of interest or yield to maturity.

**Mutual Funds and Exchange Traded Funds:** Mutual funds and exchange traded funds ("ETF") are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities, or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. ETFs differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. Also, while some mutual funds are "no load" and charge no fee to buy into, or sell out of, the fund, other types of mutual funds do charge such fees which can also reduce returns. Mutual funds can also be "closed end" or "open end". So-called "open end" mutual funds continue to allow in new investors indefinitely whereas "closed end" funds have a fixed number of shares to sell which can limit their availability to new investors.

ETFs may have tracking error risks. For example, the ETF investment adviser may not be able to cause the ETF's performance to match that of its Underlying Index or other benchmark, which may negatively affect the ETF's performance. In addition, for leveraged and inverse ETFs that seek to track the performance of their Underlying Indices or benchmarks on a daily basis, mathematical compounding may prevent the ETF from correlating with performance of its benchmark. In addition, an ETF may not have investment exposure to all of the securities included in its Underlying Index, or its weighting of investment exposure to such securities may vary from that of the Underlying Index. Some ETFs may invest in securities or financial instruments that are not included in the Underlying



Index, but which are expected to yield similar performance.

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

The Advisory Group of San Francisco, LLC has been registered and providing investment advisory services since 1999. Neither our firm nor any of our Associated Persons has any disciplinary information.

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

Advisory Group has no other financial industry activities or affiliations. Neither the Firm nor its management persons are registered as a broker-dealer or broker-dealer representative. Neither the Firm nor its management persons are registered as futures commission merchant, commodity pool operator, or a commodity trading advisor. Neither Advisory Group nor its representatives have any material relationships to this advisory business that would present a possible conflict of interest.

### **Selection of Other Advisers**

We may recommend that you use the services of a third-party money manager ("TPMM") which includes third-party separate account managers, to manage all, or a portion of, your investment portfolio. The TPMM(s) will actively manage your portfolio and will assume discretionary investment authority over your account. Clients placed with TPMM(s) will be billed in accordance with the TPMM(s) fee schedule which will be disclosed to the Client prior to signing an agreement. When referring Clients to a TPMM(s), the Client's best interest will be the main determining factor of the Advisory Group. The Firm ensures that before selecting other advisors for Client that the other advisors are properly licensed or registered as an investment advisor.

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

#### **Code of Ethics**

The affiliated persons (affiliated persons include employees and/or independent contractors) of the Advisory Group have committed to a Code of Ethics ("Code"). The purpose of our Code is to set forth standards of conduct expected of the Firm's affiliated persons and addresses conflicts that may arise. The Code defines acceptable behavior for affiliated persons of the Advisory Group. The Code reflects the Firm and its supervised persons' responsibility to act in the best interest of their Client.

One area which the Code addresses is when affiliated persons buy or sell securities for their personal accounts and how to mitigate any conflict of interest with our Clients. We do not allow any affiliated persons to use non-public material information for their personal profit or to use internal research for their personal benefit in conflict with the benefit to our Clients.

The Advisory Group's policy prohibits any person from acting upon or otherwise misusing non-public or inside information. No advisory representative or other affiliated person, officer or director of the Firm may recommend any transaction in a security or its derivative to advisory Clients or engage in personal securities transactions for a security or its derivatives if the advisory representative possesses material, non-public information regarding the security.

The Advisory Group's Code is based on the guiding principle that the interests of the Client are our top priority. The Firm's officers, directors, advisors, and other affiliated persons have a fiduciary duty to our Clients and must diligently perform that duty to maintain the complete trust and confidence of our Clients. When a conflict arises, it is our obligation to put the Client's interests over the interests of either affiliated persons or the company.

The Code applies to "access" persons. "Access" persons are affiliated persons who have access to non-public information regarding any Clients' purchase or sale of securities, or non-public information

regarding the portfolio holdings of any reportable fund, who are involved in making securities recommendations to Clients, or who have access to such recommendations that are non-public.

The Advisory Group will provide a copy of the Code of Ethics to any Client or prospective Client upon request.

### **Recommendations Involving Material Financial Interests**

Neither the Advisory Group nor its related persons recommend to Clients, or buys or sells for Client accounts, securities in which the Firm or a related person has a material financial interest.

### **Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest**

The Advisory Group does not maintain a firm proprietary trading account and does not have a material financial interest in any securities being recommended and therefore no conflicts of interest exist.

### **Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

affiliated persons may buy or sell securities at the same time they buy or sell securities for Clients. In order to mitigate conflicts of interest such as front running, affiliated persons are required to disclose all reportable securities transactions as well as provide the Firm with copies of their brokerage statements.

The Chief Compliance Officer of the Advisory Group is Lisette Smith. She reviews all trades of the affiliated persons each quarter. The personal trading reviews ensure that the personal trading of affiliated persons does not affect the markets and that Clients of the Firm's receive preferential treatment over associated persons' transactions.

### **Item 12 – Brokerage Practices**

When making investment decisions for client accounts, we determine the broker-dealer/custodian to be used in each specific transaction with the objective of negotiating the best execution available under the circumstances. In recommending broker-dealers/custodians, we will generally seek the best combination of net price and execution for client accounts and may consider other factors, including financial strength, execution capabilities, efficiency, acceptable record keeping, ability to obtain best price, transaction charges, access to low cost share classes of mutual funds, quality and timeliness of execution, technological integration with our systems, front and back office service, frequency of failed trades, error policies, financial stability and reputation and integrity. Although transaction fees paid by our clients shall comply with our duty to obtain best execution, a client may pay a transaction fee that is higher than another qualified broker-dealer might charge to effect the same transaction where we determine, in good faith, that the transaction fee is reasonable in relation to the value of the brokerage services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of broker-dealer services, as detailed above. Accordingly, although we will seek competitive rates, we may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer are exclusive of, and in addition to, our Investment Advisory Fee as detailed above at the *Fees and Compensation* section. In addition to our investment advisory fee, brokerage commissions and/or transactions fees, Client will also incur, relative to all investment vehicles, charges imposed at the investment level (e.g., management fees and other fund expenses.) Our best execution responsibility as it pertains to pricing is satisfied if securities that we purchase for client accounts are open-ended mutual funds that trade at net asset value as determined at the daily market close. Our best execution responsibility with respect to equitable pricing on individual securities traded in multiple accounts is met if we block trade those securities that trade inter-day and if we determine the allocation of shares prior to executing the block trade.

Certain custodians enable our firm to obtain many no-load mutual funds without transaction charges and other no-load and load waived funds at nominal transaction charges. These transaction charges and/or commission rates are generally considered discounted from customary retail transaction charges and commission rates.

Best execution is not measured solely by reference to commission rates. Paying a broker dealer/custodian a higher commission rate than another broker dealer/custodian might charge is permissible if the difference in cost is reasonably justified by the quality of the brokerage services offered. We do not obligate ourselves to seek the lowest transaction charges in all cases except to the extent that it contributes to the overall goal of obtaining the best results for your account. It is expected that our firm will receive some economic benefits, for example, research and access to industry consultants, from various full-service and discount brokers in connection with utilizing their brokerage services.

When helping a Client determine an appropriate custody/brokerage provider, the primary factors we consider include: 1) stability and quality of the organization; 2) ability to serve the Client's specific custody (including the broadest array of mutual fund and separate account manager custody possible) and reporting needs; 3) relatively low cost to custody assets, whether that cost be fee-based or transaction based; 4) transparency of commissions and any other charges or revenue obtained from the Client. Where a Client uses separate account managers, we offer, for an additional fee, to coordinate outside "Trading & Execution Cost Analysis" services, in order to assess the effectiveness and reasonableness of the costs incurred by the investment manager and custodian. Refer to the *Advisory Business* section and *Fees and Compensation* section above for additional disclosures on this topic.

Clients (other than those on the WealthStep Portfolio program, or those who utilize the Callan UMA Program) are not obligated to use any particular custodian/brokerage firm; however, to the extent that Client requires performance reporting (i.e. all individual clients and non-participant-directed institutional clients), Client must use a custodian with electronic links to our portfolio accounting software or pay an additional fee for manual data entry (see *Fees and Compensation* section above). Currently the custodian with such links is the Schwab Institutional (SI) platform. Clients using our WealthStep Portfolio program or the Callan UMA program, must designate Schwab as their custodian.

The Advisory Group may receive soft dollar or similar benefits, from broker-dealers or TPMMs, such as research (or other products or services). Since the Firm generally does not have to pay for these products or services, the Firm has an incentive to select or recommend a broker-dealer based on the Advisory Group's interest in receiving the research or other products or services, rather than the Clients' interest in receiving the most favorable execution. This conflict is mitigated by disclosures, procedures, and the Firm's fiduciary obligation to place the best interest of the Client first.

While there is no direct linkage between the investment advice given and the use of any given custodian by Clients, we do receive some benefits that would not be received if we did not suggest that Clients use Schwab as their custodian. These benefits are common industry services, benefiting the Client by improving our ability to service and monitor Client assets and include: receipt of duplicate Client confirmations and bundled duplicate statements, access to a trading desk serving SI Clients exclusively, electronic daily downloads of price and transaction files, ability to have investment advisory fees deducted directly from Client's accounts, access to an electronic communication network for client order entry and account information, receipt of compliance publications and access to mutual funds which generally require significantly higher minimum initial investments or are generally available only to institutional investors. The benefits received through participation in these programs do not depend upon the amount of transactions we direct to SI.

As indicated above, certain of the support services and/or products that may be received may assist us in managing and administering client accounts. Others do not directly provide such assistance, but rather assist us in the management and further development of our business enterprise. Examples of

such additional support are our receipt of generic newsletters and attendance at seminars sponsored by Schwab.

### **Brokerage for Client Referrals**

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

### **Directed Brokerage**

In limited circumstances, and at our discretion, some clients may instruct our firm to use one or more particular brokers for the transactions in their accounts. If you choose to direct our firm to use a particular broker, you should understand that this might prevent our firm from aggregating trades with other client accounts or from effectively negotiating brokerage commissions on your behalf. Where a client directs our firm to use a particular broker, we are not obligated to negotiate commissions on the client's behalf. Thus, when directing brokerage business, you should consider whether the commission expenses, execution, clearance, and settlement capabilities that you will obtain through your broker are adequately favorable in comparison to those that we would otherwise obtain for you.

### **Block Trades**

We combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "block trading"). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the amount to be traded, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion regarding factual and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs.

Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

We combine multiple orders for shares of the same securities purchased for discretionary accounts; however, we do not combine orders for non-discretionary accounts. Accordingly, non-discretionary accounts may pay different costs than discretionary accounts pay. If you enter into non-discretionary arrangements with our firm, we may not be able to buy and sell the same quantities of securities for you and you may pay higher commissions, fees, and/or transaction costs than clients who enter into discretionary arrangements with our firm.

### **Item 13 – Review of Accounts**

We monitor client portfolios as part of an ongoing process while regular account reviews are conducted at least annually. Full-Service and Limited-Service clients are encouraged to discuss their needs, goals, and investment objectives with our firm, and to keep us informed of any changes which might affect this information. Full-Service and Limited-Service clients are encouraged to meet with a member of our professional team at least annually, or more frequently depending on client preferences. At these meetings or phone conferences, we will conduct a review of your investment objectives and account performance. Additional reviews may be conducted at your request, or based on various circumstances, including, but not limited to, contributions and withdrawals, year-end tax planning, market moving events, security specific events, and/or, changes in your risk/return objectives. Due to the limited scope arrangement of the WealthStep Portfolio program, WealthStep Portfolio clients do not typically have consultations with our firm.

Personnel currently performing reviews are:

- Gregory H. Patterson, Chief Executive Officer/Senior Advisor
- Lisette C. Smith, Chief Operating Officer, Chief Compliance Officer, & Senior Advisor
- Ryan Chavez, Advisor

The individuals conducting reviews may vary from time to time, as personnel join or leave our firm.

You will receive transaction confirmation notices and regular summary account statements, at least quarterly, directly from your account custodian. As an investment advisory client of our firm, we will also provide you with written quarterly performance reports that generally include relevant account and/or market-related information such as an inventory and appraisal of account holdings and investment performance for the quarter versus a given benchmark and/or predetermined performance objectives. The statement you receive from your account custodian and the report you receive from us will reflect the deduction of our advisory fee from your account.

We encourage you to reconcile our reports with those received from the qualified custodian. If you find your holdings differ between these two statements, please call our main office number located on the cover page of this brochure.

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

We do not receive any compensation from any third-party in connection with providing investment advice to you nor do we compensate any individual or firm for client referrals.

Refer to the *Brokerage Practices* section above for disclosures on research and other benefits we may receive resulting from full service and discount brokers in connection with utilizing their brokerage services.

Beyond the disclosures provided in this Brochure, we do not receive any compensation from any third party in connection with providing investment advice to you.

#### Item 15 – Custody

We do not take custody of your funds or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian. We may have the authority to deduct our advisory fees from your account, but only if you previously consented to such deduction in writing.

As paying agent for our firm, your independent custodian may directly debit your account(s) for the payment of our advisory fees, but only if you previously consented to such deduction in writing. This authority to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. You will receive account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy.

We have adopted the following procedures that are designed to help ensure we do not inadvertently obtain custody over client funds or securities:

- We will obtain prior written authorization from you before deducting fees directly from your account;
- We will not hold your securities in our name or in bearer form;
- Proceeds from the redemption of securities you own may not be directed to us (except in those instances where client securities are sold in order to pay our advisory fees.)
- We will not have signatory power over your checking or custodial account;
- We do not provide bill pay services.
- Associated Persons of our firm may not serve as trustee over your account, unless you are an immediate family member of the Associated Person;
- All wires or transfers via ACH from client custodial accounts to outside (i.e., non-client) accounts must be accompanied by client authorization, except in those cases where the outside account is registered identically to the Schwab account from which the wire or transfer was made or where client has previously provided written standing authorization for wires or transfers to bank



- accounts with the same beneficial owner; and,
- We do not accept stock certificates from clients under any circumstances.

### **Item 16 – Investment Discretion**

Before we can buy or sell securities on your behalf, you must first sign our discretionary management agreement. If you engage us to provide Investment Advisory Services on a discretionary basis, we have the authority to determine the selection and amount of securities to be purchased or sold for your account(s) without obtaining your consent or approval prior to each transaction. Generally, the securities include mutual funds, exchange traded funds, commingled funds, and/or securities held in separate accounts and managed by a separate account manager. Accounts in

the WealthStep Portfolio program are invested primarily in passively managed mutual funds (index funds), except in those cases where the WealthStep Portfolios are designed to be similar to the portfolios in a terminated participant-directed 401(k) Plan. Our discretionary authority is performed within the parameters of your pre-determined portfolio asset allocation. We do not have authority to change the overall portfolio asset allocation of your account without your written authorization. Additionally, clients may further limit our discretion by requesting that we maintain certain levels of cash, that we minimize or maximize taxable gains in a given year, or that we hold certain types of investments. Refer to the *Advisory Business* section above for more information on our discretionary management services.

If you enter into non-discretionary arrangements with our firm, we will obtain your approval prior to the execution of any transactions for your account(s). You have an unrestricted right to decline to implement any advice provided by our firm on a non-discretionary basis.

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

Without exception, we will not vote proxies on behalf of your advisory accounts. Whether we provide discretionary or non-discretionary Investment Advisory Services relative to Client's investment assets, Clients maintain exclusive responsibility for: (i) directing the manner in which proxies solicited by issuers of securities beneficially owned by Client shall be voted, and (ii) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to Client's investment assets. Our firm and/or Client shall correspondingly instruct each custodian of the assets to forward to Client copies of all proxies and shareholder communications relating to Client's investment assets. Our proxy voting policy is included in our written Investment Advisory Agreements, and our clients are reminded of this policy on an annual basis.

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

Our firm does not have any financial condition or impairment that would prevent us from meeting our contractual commitments to you. We do not take physical custody of client funds or securities, or serve as trustee or signatory for client accounts, and we do not require the prepayment of more than \$1,200 in fees six or more months in advance nor have we filed a bankruptcy petition at any time in the past ten years. Therefore, we are not required to include a financial statement with this brochure.