

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

Dated: March 18, 2023



21515 Hawthorne Blvd, Suite 200 Torrance, CA 90503

2700 Patriot Blvd. #250 Glenview, IL 60026

9611 N US HWY 1 #332 Sebastian, FL 32958

Phone: 310-792-4189 Fax: 310-792-4189

[www.southbayfinancialpartners.com](http://www.southbayfinancialpartners.com)

This brochure provides information about the qualifications and business practices of South Bay Financial Partners Group, Inc d/b/a South Bay Financial Partners. If you have any questions about the contents of this brochure, please contact us at 310-792-4189 and/or [info@southbayfinancialpartners.com](mailto:info@southbayfinancialpartners.com). Please know that the information in this brochure is always accessible on our website, [southbayfinancialpartners.com](http://southbayfinancialpartners.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about South Bay Financial Partners also is available on the SEC's website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

Being a Registered Investment Advisor (RIA) does not imply a certain level of skill or training.

As a CFP® certificant, South Bay Financial Partners acknowledges its responsibility to adhere to the standards established in the CFP® Board's Standards of Professional Conduct, including the duty of care of a fiduciary, as defined by the CFP® Board. If Client believes that South Bay Financial Partners has violated the Standards, Client may file a complaint online with the CFP® Board at [www.cfp.net/complaint](http://www.cfp.net/complaint). Company also has a more stringent Code of Ethics that all employees adhere to. A copy of this Code of Ethics is provided upon request.

## **Item 2 Material Changes**

Item 1 Torrance address has changed

Item 2 Fax number has changed

Item 3 Typos were corrected

Item 4 Date completed was changed; services and fees were updated

Item 5 Business hours were changed; updated fees; added examples

Item 6 AUM amount has changed

Item 8 Updates for clarity

### Item 3 Table of Contents

Item 1 Cover Page for Part 2A of Form ADV - Firm Brochure .....	1
Item 2 Material Changes .....	2
Item 3 Table of Contents .....	3
Item 4 Advisory Business .....	5
A.    Investment Advisory Services .....	5
B.    Financial Planning .....	6
C.    Publication of Periodicals or Newsletters .....	6
D.    Educational Seminars/Workshops .....	7
E.    Online Environment – Your Amazing Financial Life (YAFL).....	7
Item 5 Fees and Compensation .....	7
A.    Your Amazing Financial Life .....	8
B.    Fresh Start Program .....	8
C.    Ongoing Financial Planning Service Plans .....	8
D.    Standalone Investment Advisory Services .....	9
E.    Other Types of Fees and Expenses.....	10
Item 6 Performance-Based Fees and Side-By-Side Management.....	11
Item 7 Types of Clients.....	11
Item 8 Methods of Analysis, Investment Strategies and Risk of Loss .....	12
Item 9 Disciplinary Information .....	14
Item 10 Other Financial Industry Activities and Affiliations .....	14

Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	14
Code of Ethics Description.....	14
Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest .....	15
Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest .....	15
Trading Securities At/Around the Same Time as Client's Securities.....	16
Item 12 Brokerage Practices .....	16
A. How We Select Brokers/Custodians .....	16
F. Services that Benefit Client. ....	17
G. Services that May Not Directly Benefit Client.....	18
H. Services that Generally Benefit Only Advisor.....	18
I. Our Interest in Custodian's Services .....	19
Item 13 Review of Accounts.....	19
Item 14 Client Referrals and Other Compensation.....	19
Item 15 Custody .....	20
Item 16 Investment Discretion.....	20
Item 17 Voting Client Securities .....	21
Item 18 Financial Information .....	21

## **Item 4 Advisory Business**

South Bay Financial Partners (Advisor) provides custom financial planning, financial therapy, investment advice, and tax preparation services. We provide an integrated service that facilitates all aspects of Client's financial life including matters relating to their small business, interfacing with Client's other professional Advisors, and family members with matters relating to finances.

We specialize in a myriad of areas, including multi-generational family financial planning, later life transitions and financial coaching for young adults. Each Client is evaluated individually, and advice is solely based on their needs and goals. We do not sell financial products, nor do we receive commissions or fees for products that we recommend. All Advisor income is paid directly for services rendered.

Client should be aware that, in general, the interests of the Advisor may not be the same as the interests of the Client. Clients are under no obligation to act on Advisor's recommendations. If Client elects to act on any of the recommendations, Client is under no obligation to affect the transaction through Advisor.

Advisor has \$113,309,458 of non-discretionary assets and 51 Clients under management as of December 31, 2022.

Advisor has been incorporated in the State of California since December 18, 2014 and is wholly owned by Tara T. Unverzagt and Robert M. Unverzagt. Tara has been a financial Advisor since 1992. Robert is not involved in the day-to-day operation of the firm.

### **A. Investment Advisory Services**

Advisor manages portfolios that trade primarily in individual domestic stocks and investment grade bonds. Advisor invests in exchange traded funds (ETFs), mutual funds, lower grade bonds, and international securities.

Client's needs and risk preferences are established to determine portfolio design with the aim of meeting financial goals and objectives. Advisor and Client will review goals, objectives, and risk levels at least annually.

Client can provide restrictions on investments including types of securities to select, particular securities or industries that they do or do not want to invest in, or other

parameters.

While Advisor does not open brokerage accounts, Client can request assistance.

## **B. Financial Planning**

Advisor provides a variety of financial planning services to Client which, depending on complexity, can include:

- Full financial plan that includes analysis of current financial situation based on information provided by Client, analyzing beliefs and behaviors that affect financial decisions, determining financial goals, analyzing risk management (including insurance and investment risk), developing a plan to meet goals, estate plan analysis.
- Monitoring and executing plan and goals. Including assistance to family at the death of a Client.
- Any portion of the financial plan may be completed independently.
- Plans to achieve goals can include planning for college, retirement, debt reduction, major purchase, or life change (e.g. getting married, changing jobs or careers, financial independence, transitioning into retirement homes, assisted care and memory care facilities, and death of a loved one), among others.
- Charitable giving planning and execution.
- Small business planning including cash flow, strategic planning, benefits, and tax planning.
- Tax preparation and planning.

## **C. Financial Coaching and Therapy**

Hourly one-on-one sessions are available as support to clients who are executing their own financial plan, investments, and tax preparation and planning. The information provided is general in nature and allows members to make decisions for themselves. Advisor does not open accounts, execute trades, or decide what custodian the members should use, etc.

#### **D. Publication of Periodicals or Newsletters**

Advisor will periodically publish a blog entry on the company website. The information is general in nature and is not meant to represent financial or tax advice. Each person's financial situation is unique, and advice needs to be customized to their particular situation. The information is meant to be a starting point in determining potential financial needs to be addressed.

Advisor may publish other newsletters written by the company or purchased from a third party. Newsletters may be distributed on paper or electronically. No specific information about performance, past or expected, or particular securities will be discussed except for publicly known facts such as prices and benchmark performance such as the S&P 500 Index and Dow Jones Industrial Average.

#### **E. Educational Seminars/Workshops**

Advisor will conduct workshops and on demand courses. They are open to the public, on various topics of financial planning, investments, and tax preparation. These are general in nature and are not meant to represent financial or tax advice for a specific person. No specific information about performance, past or expected, or particular securities will be discussed except for publicly known facts such as prices and benchmark performance such as the S&P 500 Index and Dow Jones Industrial Average.

#### **F. Online Environment – Your Amazing Financial Life (YAFL)**

Advisor provides a service that allows individuals access to financial planning, financial coaching, financial therapy, investment, and tax information. There are courses and workshops available for educational purposes only. YAFL members can ask questions and Advisor may refer them to resources publicly available in addition to providing general answers that provide choices or a framework to consider when making financial decisions.

Advisor does not participate in a wrap fee program.

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

Please note, unless a Client has received the firm's Form ADV - Firm Brochure (this document) at least 48 hours prior to signing the Client contract, the Client contract may be terminated by the Client within five (5) business days of signing the contract without incurring any advisory fees. How we are paid depends on the type of advisory service we are performing. Please review the fee and compensation information below.

## A. Your Amazing Financial Life

Membership to Your Amazing Financial Life (YAFL) is free.

In addition, workshops, courses and classes, like the Women's Investing Network, are available to all members and range from free to \$500 each. In the event of cancellation by the member, fees are fully refundable up to seven (7) days before the commencement of the workshop or class.

Fees are paid automatically via a credit card or ACH, as chosen by each member.

## B. Fresh Start Program

The Fresh Start Program is designed as a service that new Clients experience. In this program, we work with Clients to create an achievable plan built around their beliefs, behaviors, life intentions, and goals. Delivered in six steps, we begin with a Discovery meeting, that costs between \$400-\$600. The Discovery meeting is approximately 90 minutes covering Client's beliefs, behaviors, and current financial situation to determine where they are and how they got to their current financial situation. Client receives a net worth statement, KMSI and Wealth Builder survey results, and a report summarizing their current situation and action items they could take. If mutually decided to move forward, we begin our financial planning process to develop a comprehensive plan that will be delivered after the sixth step is completed. Fees for the entire program range from \$2,000 - \$12,000. Discounts are available.

Current clients may go through the Fresh Start program at life transitions. There is no additional cost to current clients for the Fresh Start program.

## C. Ongoing Financial Planning Service Plans

Fees for Ongoing Financial Planning will be calculated as follows:

Assets Under Management	Held Away Assets Under Advisement	AGI - Capital Gains
0.45%	0.20%	2%
Fee Per Schedule C	Fee Per Schedule E	Administrative Fee
\$150	\$300	\$500

2% of AGI (Adjusted Gross Income from most recently available tax return), less capital gains + .45% of assets under management + .2% of held away assets under advisement + \$150 per Schedule C + \$300 per Schedule E + \$500 for administrative overhead.

Examples:

- If Client has \$100,000 of investments at Brokerage, the fee is \$450 per year for the Assets Under Management.
- If Client has \$100,000 in a 401k at another brokerage that Advisor advises, the fee would be \$200 per year.
- If the Client has \$100,000 in income (as defined above), the fee would be \$2,000 per year.
- If the Client had \$100,000 at Brokerage, a \$100,000 401k under advisement, and \$100,000 employee wages, the total fee would be \$3,150 per year billed \$787.50 per quarter or \$262.50 per month (plus any payment fees mentioned below.)

The minimum total fee is \$625 quarterly or \$210 monthly. Fees charged to Clients are the only fees that the Advisor receives. There are no other fees, commissions, bonuses, etc. received by Advisor. Discounts are available.

Trusts that require their own tax returns are charged 0.55% of assets under management plus a \$500 administration fee.

Examples:

A \$1,000,000 trust held with a client, as listed above, would pay \$5,500 per year or \$1,375 per quarter.

A \$1,000,000 trust held by a client that has no other services with Advisor would have an addition \$500 administration fee for a total of \$6,000 per year or \$1,500 per quarter.

#### **D. Financial Coaching**

Clients executing their own financial plan, tax preparation, and investing can request support and review of their plan for \$150 per hour for basic topics. Complex topics that require advance knowledge in a topic are charged \$450 per hour. Clients can have monthly basic financial planning, tax return and planning review, investing review, and financial therapy for \$200 for one session per month and \$300 for two sessions per month. These monthly subscriptions include access to financial planning and investment software tools. These support services are executed during the meeting only.

#### **E. Standalone Investment Advisory Services**

Our stand-alone investment advisory fee is based on the market value of the assets and

is calculated as follows:

Assets Under Management	Held Away Assets Under Advisement
0.60%	0.20%

The fee is calculated by applying the account value as of the last day of the previous quarter.

Examples:

An account valued at \$2,000,000 would pay 0.60% for an annual fee of \$12,000 plus \$500 administration fee; \$12,500 per year or \$3,125 quarterly.

The minimum annual fee for Standalone Investment Advisory Services is \$1,000. Fees charged to Clients are the only fees that the Advisor receives. There are no other fees, commissions, bonuses, etc. received by Advisor. Discounts are available.

Stand alone investment services are not available to new clients.

#### **F. When are fees calculated**

For current Client, in the third quarter of each year, fees are updated based on income from Client's most recent available tax returns and March 31<sup>st</sup> investment account balances calculated in our investment analysis software, Morningstar Office. New contracts are signed by the end of June and new fees start on July 1<sup>st</sup> (beginning of the 3<sup>rd</sup> quarter) and charged on September 30<sup>th</sup> (the end of the 3<sup>rd</sup> quarter.)

New Client fees are based on the most recent available tax return and account balances from the end of the most recent month according to statements provided by Client.

Upon request, fees can be paid monthly through ACH.

#### **G. Other Types of Fees and Expenses**

Our fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which may be incurred by the Client. Client may incur certain charges imposed by custodians, brokers, and other third parties such as custodial fees, 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. Mutual fund and exchange-traded funds also charge internal management fees, which

are disclosed in a fund's prospectus. Such charges, fees, and commissions are exclusive of and in addition to our fee, and we shall not receive any portion of these commissions, fees, and costs.

Assets and Income are reassessed at least annually to ensure accuracy and reasonableness of fees charged in comparison to services rendered. Should the fee change because of the reassessment, a new advisory contract will be executed.

Fees for our services are billed directly from Client's investment accounts or ACH on a quarterly or monthly basis, billed in arrears. Upon request, credit cards may be allowed. The service may be terminated with 30 days written notice. Upon termination of any agreement, the quarterly fee will be prorated based on days of service rendered during that quarter. Since fees are paid in arrears, no refund will be needed upon termination of the account.

In the case that Client fees are not paid 30 days after their due date a late fee of \$250 will be assessed and an additional \$50 per week after the first 30 days. If fees are late due to issues with our billing software or anything not involving the Client then these fee will not be charged. Fees are due on the last business day of the quarter in which they are billed or the last business day of the month for those who are paying monthly.

Item 12 further describes the factors that we consider in selecting or recommending broker-dealers for Client's transactions and determining the reasonableness of their compensations (e.g., commissions).

We do not accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

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

Advisor does not charge performance-based fees.

## **Item 7 Types of Clients**

Advisor provides investment advice to high-net-worth individuals and families, individuals, families, small businesses, freelancers, churches, trusts, pension plans, and pooled income funds. Clients represent all age groups, working, retired, and incorporate multigenerational families. There are no minimum asset or income requirements.

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

We primarily invest in high quality stocks, investment grade bonds and cash. We may also invest in mutual funds, ETFs, investment grade corporate bonds, U.S. Government bonds, and Municipal bonds in particular situations. We do not invest in options or derivatives.

Each Client's current situation, goals, and risk tolerance are used to determine specific investments to meet the goals with an acceptable risk level. We may invest in securities that employees of the Advisor are also personally invested in. We always make recommendations with solely the Client's best interest in mind. Advisor will review each employee's personal trading activity at least quarterly to ensure no conflicts of interest arise.

Investments are researched using a variety of research tools that analyze past performance and future projections. In addition, economic, industry, and other external factors are evaluated to determine effect on investments.

Asset allocation is determined based on Client's goals and risk tolerance and is updated based on economic and investment environment changes.

Risk is minimized using asset allocation, diversification, and high-quality investments. Aggressive investments will be utilized if it fits the Client's goals and risk tolerance.

Our investment philosophy is to buy and hold long-term. We aim to select stocks in companies in which the Client wants to have ownership. We aim to buy investments at a low price and sell at a high price. Advisor buys bonds with the expectation to hold them to maturity or bond mutual funds when appropriate. We do not recommend securities that are not publicly traded or investments that do not have publicly published data.

Investing in securities involves risks and investments may experience a loss to Client.

- **Market Risk:** The prices of securities held by Clients may decline due to certain events including economic, political, and social changes domestically or globally. Financial changes, such as those described below, affect the overall market. And market sentiment to the market in general or a particular stock affects each stock price.

- **Inflation Risk:** Inflation reduces the value of goods. If investments do not increase by at least the value of inflation, the funds invested will lose value over time.

- **Interest-Rate Risk:** Fluctuations in interest rates cause investment prices to fluctuate. Typically, as interest rates go up, prices of fixed income securities go down.

- **Currency Risk:** The change in foreign currency relative to US dollars affects companies that are headquartered internationally, as well as domestic companies that have large parts of their business abroad.

- **Reinvestment Risk:** Future proceeds from investments may have to be reinvested at a time when the market prices are high and/or interest rates are low. This affects securities with maturity dates.

- **Liquidity Risk:** The ability to readily convert an investment into cash. The more buyers available every day, the higher the liquidity. US bonds are very liquid while real estate and private partnerships are not.

- **Management Risk:** Advisor's investment approach may not produce expected results. If Advisor assumptions regarding performance of asset classes or specific securities are incorrect, the overall portfolio will perform below expectations.

- **Equity Risk:** Stocks are generally more volatile than other securities. Specific securities will be more or less volatile than the market as a whole. While stocks typically perform well over the long-term, within any given timeframe, they may fail to produce expected results.

- **Fixed Income Risk:** Issuers of fixed income securities may not be able to make interest and/or principal payments when due. Issuers are rated to identify the likelihood of defaulting. Higher rated issuers typically pay less interest while lower rated issuers have to pay higher interest to make up for higher risk. These ratings can change which affects the price of the security.

- **Mutual Fund/ETFs Risk:** Since mutual funds and ETFs are made up of underlying securities, they carry the same risks as described above. They can have additional risks if they hold derivatives (such as options). Mutual funds also have management risk that the managers of the fund will not invest to achieve expected results. ETFs may trade at a market price that is above or below the net asset value.

Clients should know that all investments carry a risk ranging from the variability of market values to the possibility of permanent loss of capital.

## **Item 9 Disciplinary Information**

We have no reportable disciplinary events to disclose.

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

Tara Unverzagt is a Registered Tax Preparer in the State of California and an IRS Annual Filing Season Program Participant. Jessica Robertson is a Certified Public Accountant. Tax preparation is integrated into South Bay Financial Partners' business for recurring Clients. We may charge an additional fee for tax preparation and planning.

South Bay Financial Partners has not registered, nor has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer. South Bay Financial Partners is not registered, nor has an application pending to register, as futures commission merchant, commodity pool operator, a commodity trading Advisor, or an associated person of the foregoing entities.

No payment is made or received for referrals of Clients from or to other investment Advisors.

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

As a fiduciary, our firm and its associates have a duty of utmost good faith to act solely in the best interests of each Client. Our Clients entrust us with their funds and personal information, which in turn places a high standard on our conduct and integrity. Our fiduciary duty is a core aspect of our Code of Ethics and represents the expected basis of all of our dealings. The firm also adheres to the Code of Ethics and Professional Responsibility adopted by the CFP® Board of Standards Inc. and accepts the obligation not only to comply with the mandates and requirements of all applicable laws and regulations but also to take responsibility to act in an ethical and professionally responsible manner in all professional services and activities.

### **Code of Ethics Description**

This code does not attempt to identify all possible conflicts of interest, and literal compliance with each of its specific provisions will not shield associated persons from liability for personal trading or other conduct that violates a fiduciary duty to advisory Clients. A summary of the Code of Ethics' Principles is outlined below.

- Integrity - Associated persons shall offer and provide professional services with integrity.
- Objectivity - Associated persons shall be objective in providing professional services to Clients.
- Competence - Associated persons shall provide services to Clients competently and maintain the necessary knowledge and skill to continue to do so in those areas in which they are engaged.
- Fairness - Associated persons shall perform professional services in a manner that is fair and reasonable to Clients, principals, partners, and employers, and shall disclose conflict(s) of interest in providing such services.
- Confidentiality - Associated persons shall not disclose confidential Client information without the specific consent of the Client unless in response to proper legal process, or as required by law.
- Professionalism - Associated persons' conduct in all matters shall reflect the credit of the profession.
- Diligence - Associated persons shall act diligently in providing professional services.

We periodically review and amend our Code of Ethics to ensure that it remains current, and we require all firm access persons to attest to their understanding of and adherence to the Code of Ethics at least annually. Our firm will provide a copy of its Code of Ethics to any Client or prospective Client upon request.

### **Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest**

Neither our firm, its associates or any related person is authorized to recommend to a Client or effect a transaction for a Client, involving any security in which our firm or a related person has a material financial interest, such as in the capacity as an underwriter, adviser to the issuer, etc.

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

Our firm and its "related persons" may buy or sell securities similar to, or different from, those we recommend to Clients for their accounts. In an effort to reduce or eliminate certain conflicts of interest involving the firm or personal trading, our policy may require that we restrict or prohibit associates' transactions in specific reportable securities transactions. Any exceptions or trading pre-clearance must be approved by the firm principal in advance of the transaction in an account, and we maintain the required personal securities transaction records per regulation.

## **Trading Securities At/Around the Same Time as Client's Securities**

From time to time, our firm or its "related persons" may buy or sell securities for themselves at or around the same time as Clients.

### **Item 12 Brokerage Practices**

Advisor does not maintain custody of Client assets on which we advise, although we may be deemed to have custody of Client assets given authority to withdraw assets from the account. Client assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. We recommend that Client use Charles Schwab & Co, (BROKER), registered broker-dealers, members of SIPC, as the qualified custodian. We are independently owned and operated and are not affiliated with the above-mentioned BROKER. BROKER will hold assets in a brokerage account and buy and sell securities when instructed. While we recommend that Client use BROKER as Client's custodian/broker, Client will decide whether to do so. Client will open an account with BROKER by entering into an account agreement directly with them. We do not open the account for Client, although we may assist in doing so. Even though Client account is maintained at BROKER, Client can still use other brokers to execute trades for Client account as described below (see "Your brokerage and custody costs").

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

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

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds [ETFs], etc.)
- Availability of investment research and tools that assist us in making investment decisions

- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength, and stability
- Prior service to us and our other Clients
- Availability of other products and services that benefit us, as discussed below (see “products and services available to us from BROKER”)

For Client's accounts that BROKER maintains, BROKER generally does not charge separately for custody services but is compensated by charging Client commissions or other fees on trades that they execute or that settle into BROKER account. In addition to commissions, BROKER charges Client a flat dollar amount as a “prime broker” or “trade away” fee for each trade that we have executed by different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your BROKER account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize Client trading costs, Advisor has BROKER execute most trades for Client account. We have determined that having BROKER execute most trades is consistent with our duty to seek “best execution” of trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see “How We Select Brokers/Custodians.”).

BROKER serves independent investment advisory firms like us. They provide us and our Clients with access to its institutional brokerage services (trading, custody, reporting, and related services), many of which are not typically available to retail customers. BROKER also makes available various support services. Some of those services help us manage or administer our Client's accounts; while others help us manage and grow our business. BROKER's support services are generally available on an unsolicited basis (i.e., we don't have to request them) and at no charge to us. Following is a more detailed description of BROKER's support services:

#### **H. Services that Benefit Client.**

BROKER's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of Client assets. The investment products available through BROKER include some to which we might not otherwise have access or that would require a significantly higher minimum initial

investment by Clients. BROKER's services described in this paragraph generally benefit Client and Client's account.

#### **I. Services that May Not Directly Benefit Client.**

BROKER also makes available to us other products and services that benefit Advisor but may not directly benefit Client. These products and services assist us in managing and administering Client's accounts. They include investment research, both BROKER's own and that of third parties. We may use this research to service all or a substantial number of our Client's accounts, including accounts not maintained at BROKER. In addition to investment research, BROKER also makes available software and other technology that:

- Provide access to Client account data (such as duplicate trade confirmations and account statements)
- Provide pricing and other market data
- Facilitate payment of Advisor fees from Client's accounts
- Assist with back-office functions, recordkeeping, and Client reporting

#### **J. Services that Generally Benefit Only Advisor.**

Schwab also offers other services intended to help Advisor manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, pension plan consultants, and insurance providers.

BROKER may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to Advisor. BROKER may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. BROKER may also provide us with other benefits, such as occasional business entertainment for our personnel.

## **K. Our Interest in Custodian's Services**

The availability of these services from BROKER benefits Advisor because Advisor did not have to produce or purchase them. Advisor does not have to pay for BROKER's services. These services are not contingent upon Advisor committing any specific amount of business to BROKER in trading commissions or assets in custody. Advisor may have an incentive to recommend that Client maintain account with BROKER, based on Advisor interest in receiving BROKER's services that benefit Advisor's business rather than based on Client's interest in receiving the best value in custody services and the most favorable execution of Client's transactions. This is a potential conflict of interest. Advisor believes, however, that the selection of BROKER is in the best interests of Clients. Advisor selection is primarily supported by the scope, quality, and price of BROKER services (see "How We Select Brokers/Custodians") and not BROKER's services that benefit only Advisor. Also, services and products provided by BROKER reduce the cost to Advisor of maintaining Client's account and therefore reduce Client's overall fees.

## **Item 13 Review of Accounts**

Client accounts are reviewed at least quarterly by Advisor and a report is sent to Client. Client accounts may be reviewed more often if the market or other conditions arise to warrant a review. Transactions in the Client's account will be reported by BROKER.

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

As disclosed under Item 12, above, Advisor participates in BROKER institutional customer program and Advisor may recommend BROKER to Clients for custody and brokerage services. There is no direct link between Advisor's participation in the program and the investment advice it gives to its Clients, although Advisor receives economic benefits through its participation in the program that are typically not available to BROKER retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research-related products and tools; consulting services; access to a trading desk serving Advisor participants; the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Advisor by third party vendors.

BROKER may also have paid for business consulting and professional services received by Advisor's related persons. Some of the products and services made available by BROKER through the program may benefit Advisor but may not benefit its Client accounts. These products or services may assist Advisor in managing and administering Client accounts, including accounts not maintained at BROKER.

Other services made available by BROKER are intended to help Advisor manage and further develop its business enterprise. The benefits received by Advisor or its personnel through participation in the program do not depend on the number of brokerage transactions directed to BROKER.

As part of its fiduciary duties to Clients, Advisor endeavors always to put the interests of its Clients first. Clients should be aware, however, that the receipt of economic benefits by Advisor or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the Advisor's choice of BROKER for custody and brokerage services.

### **Item 15 Custody**

Advisor will obtain previous written authorization from Client to deduct advisory fees from the account held with BROKER. BROKER will send statements, at least quarterly, to Client showing all disbursements for the investment account, including the amount of the advisory fees. Each time a fee is directly deducted from Client account, Advisor concurrently sends BROKER an invoice of the amount of the fee to be deducted from Client's account; and sends Client an invoice or statement itemizing the fee. BROKER maintains actual custody of Client's assets. They will be sent to the email or postal mailing address Client provided to BROKER. Client should carefully review those statements promptly when received. Advisor also urges Client to compare BROKER's account statements with the periodic portfolio reports Client will receive from Advisor.

### **Item 16 Investment Discretion**

Advisor does have the ability to make trades in accounts at BROKER, but the relationship with Client's account is non-discretionary in that Client approves all transactions prior to execution. Client approves BROKER used and the commission rates paid to BROKER. Advisor does not receive any portion of the transaction fees or commissions that Client pays to the custodian. Advisor does not have discretion over accounts held away from BROKER.

Client is responsible for all trades made.

## **Item 17 Voting Client Securities**

We do not have authority to vote proxies for Client's securities.

## **Item 18 Financial Information**

Advisor has no financial impairment to report that would affect its ability to provide service to Client. Advisor has never been the subject of a bankruptcy petition at any time. Advisor does not require or solicit prepayment of more than \$500 in fees from Client, six months or more in advance for investment services.