



# Granite Harbor Advisors

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This brochure provides information about the qualifications and business practices of Granite Harbor Advisors, Inc. If you have any questions about the contents of this brochure, please contact us by telephone at (832) 461-0789 or email at [info@graniteharbor.com](mailto:info@graniteharbor.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 Granite Harbor Advisors, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching CRD# 179523.

Please note that the use of the term "registered investment adviser" and description of Granite Harbor Advisors, Inc. and/or our associates as "registered" does not imply a certain level of skill or training. You are encouraged to review this Brochure and Brochure Supplements for our firm's associates who advise you for more information on the qualifications of our firm and our employees.

## Item 2: Material Changes

Granite Harbor Advisors, Inc. (GHA) is required to advise you of any material changes to the Firm Brochure ("Brochure") from our last annual update.

Since our last Annual Amendment filing, our firm has the following material changes to disclose:

- Our firm has an ownership interest in Cypress Vieux Manager, LLC (Fund Manager) which sponsors and offers interests in Cypress Vieux Investors, LLC (Cypress Fund), a private equity fund. We have disclosed the potential conflicts arising from our receipt of compensation related to this affiliation.
- We have disclosed that via our association with Cypress Vieux Investors, LLC, our firm is deemed to have custody of client assets. To satisfy the requirements of the custody rule, we have arranged for audited financials to be provided to all fund investors within 120 days of each fiscal year end.
- Our firm is in receipt of performance fees related to our role with Cypress Vieux Investors, LLC. These fees are only applicable to investors in the fund and are not applicable to client assets managed under our Wrap Asset Management service.
- As of October 21<sup>st</sup>, 2023, our firm's new primary office address is now located at 10603 West Sam Houston Pkwy North, Suite 450, Houston, TX 77064. You can still reach us at the same email address and phone number if you have any questions about your account.
- Our firm has an ownership interest in Granite Harbor - West Allis GP, LLC (Fund Manager) which sponsors and offers interests in Granite Harbor - West Allis Investors, LP (West Allis Fund), a private fund. We have disclosed the potential conflicts arising from our receipt of compensation related to this affiliation.
- We have disclosed that via our association with Granite Harbor - West Allis GP, LLC, our firm is deemed to have custody of client assets. To satisfy the requirements of the custody rule, we have arranged for audited financials to be provided to all fund investors within 120 days of each fiscal year end.
- Our firm is in receipt of performance fees related to our role with Granite Harbor - West Allis GP, LLC. These fees are only applicable to investors in the fund and are not applicable to client assets managed under our Wrap Asset Management service.

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## Item 4: Advisory Business

We are dedicated to providing individuals and other types of clients with a wide array of investment advisory services. Our firm is a corporation formed in the State of Texas. Our firm has been in business as an independent investment adviser since May 2015 and is owned by Brian W. Sak, Timothy B. Smith and Nicholas M. Brown.

### **Description of the Types of Advisory Services We Offer**

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#### **Financial Planning & Consulting:**

We provide a variety of financial planning and consulting services to individuals, families, and other clients regarding the management of their financial resources based upon an analysis of the client's current situation, goals, and objectives. Generally, such financial planning services will involve preparing a financial plan or rendering a financial consultation for clients based on the client's financial goals and objectives. This planning or consulting may encompass one or more of the following areas: Investment Planning, Retirement Planning, Estate Planning, Charitable Planning, Education Planning, Corporate and Personal Tax Planning, Cost Segregation Study, Corporate Structure, Real Estate Analysis, Mortgage/Debt Analysis, Insurance Analysis, Lines of Credit Evaluation, Business and Personal Financial Planning.

Our written financial plans or financial consultations rendered to clients usually include general recommendations for a course of activity or specific actions to be taken by the clients. For example, recommendations may be made that the clients begin or revise investment programs, create or revise wills or trusts, obtain or revise insurance coverage, commence or alter retirement savings, or establish education or charitable giving programs. It should also be noted that we refer clients to an accountant, attorney or other specialist, as necessary for non-advisory related services. For written financial planning engagements, we provide our clients with a written summary of their financial situation, observations, and recommendations. For financial consulting engagements, we usually do not provide our clients with a written summary of our observations and recommendations as the process is less formal than our planning service. Plans or consultations are typically completed within six (6) months of the client signing a contract with us, assuming that all the information and documents we request from the client are provided to us promptly. Implementation of the recommendations will be at the discretion of the client.

#### **Retirement Plan Consulting:**

We provide Retirement Plan Consulting services to employer plan sponsors on a one-time or ongoing basis. Generally, such Retirement Plan Consulting services consist of assisting employer plan sponsors in establishing, monitoring, and reviewing their company's participant-directed retirement plan. As the needs of the plan sponsor dictate, areas of advising could include: development of an investment policy statement, investment management, selection of qualified default investment alternatives, and plan participant education.

All Retirement Plan Consulting services shall be in compliance with the applicable state law(s) regulating Retirement Plans. This applies to client accounts that are pension or other employee benefit plans ("Plan") governed by the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). If the client accounts are part of a Plan, and we accept appointments to provide our services to such accounts, we acknowledge that we are a fiduciary within the meaning of Section

3(21) of ERISA (but only with respect to the provision of services described in section 1 of the Retirement Plan Consulting Agreement).

### **Tax Preparation:**

We contract with outside CPA firms to provide tax preparation services to our clients with such needs. We perform data gathering as well as initial and ongoing due diligence on the chosen provider and the services they provide to ensure they meet each individual client's needs. Clients are under no obligation to use these providers based upon their engagement of our firm for any other purpose.

### **Tailoring of Advisory Services**

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We offer individualized investment advice to clients utilizing our Asset Management service. Additionally, we offer general investment advice to clients utilizing our Financial Planning & Consulting and Retirement Plan Consulting services.

Each client has the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio. Restrictions on investments in certain securities or types of securities may not be possible due to the level of difficulty this would entail in managing the account. Restrictions would be limited to our Asset Management and Retirement Plan Consulting services.

### **Participation in Wrap Fee Programs**

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We only offer Asset Management services through our wrap fee programs as further described in Part 2A, Appendix 1 (the "Wrap Fee Program Brochure") of our Brochure. Our accounts are managed on an individualized basis according to the client's investment objectives, financial goals, risk tolerance, etc. As further described in our Wrap Fee Program Brochure, we receive a portion of the wrap fee for our services.

### **Regulatory Assets Under Management**

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As of December 31, 2022, our firm manages \$319,652,939 on a discretionary basis and \$3,977,437 on a non-discretionary basis, totaling \$323,630,376 in aggregate Assets Under Management.

## **Item 5: Fees & Compensation**

### **How We Are Compensated for Our Advisory Services**

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#### **Financial Planning & Consulting:**

We charge on an hourly or flat fee basis for financial planning and consulting services. The total estimated fee, as well as the ultimate fee that we charge you, is based on the scope and complexity of our engagement with you. Our maximum hourly fee is \$500, and our maximum flat fee is \$50,000. Financial Planning & Consulting fees will be waived for households that have assets under management with our firm in excess of \$1,500,000.

The client has the option of having the financial planning and consulting fee deducted from their managed account or be billed directly. If the client elects to have the fee billed directly, the fee will be due to us within thirty (30) days of your financial plan being delivered or consultation being rendered.

to you. In all cases, we will not require a retainer exceeding \$500 when services cannot be rendered within 6 (six) months. If at any point the client is not satisfied with the service, our firm will issue a full refund of the fees received.

### **Retirement Plan Consulting:**

Our maximum fee for our Retirement Plan Consulting service is 1.00% of the assets under advisement. We may also charge on an hourly basis for one-time consulting services. The total estimated fee, as well as the ultimate fee that we charge you, is based on the scope and complexity of our engagement with you.

Our firm's annualized fees are generally billed on a pro-rata basis monthly or quarterly in arrears based on an average daily balance of the account(s) value during the billing period. Hourly engagements will be billed directly.

Due to limitations at certain custodial platforms, we may bill based upon the account balance as of the final day of the previous billing period. The specific fee-paying arrangements for Retirement Plan Consulting service will be determined on a case-by-case basis and will be detailed in the signed Retirement Plan Consulting Agreement.

### **Tax Preparation:**

The fees for our data gathering and due diligence services will be in addition to the fees charged by the chosen provider. The total fee to be charged for both GHA and the chosen provider's services shall be spelled out in an advisory agreement between client and GHA. Client will be charged a single fee with GHA remitting payment to the chosen provider for their portion of services rendered.

### **Other Types of Fees & Expenses**

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Wrap fee clients will receive our Form ADV, Part 2A, Appendix 1 (the "Wrap Fee Program Brochure"). Wrap fee clients will not incur transaction costs for trades. More information about this is disclosed in our separate Wrap Fee Program Brochure.

### **Termination & Refunds**

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We charge our advisory fees quarterly or monthly in arrears. If you wish to terminate our services, you need to contact us in writing and state that you wish to cancel the advisory agreement. Upon receipt of your letter of termination, we will proceed to close out your account and charge you a pro-rata advisory fee(s) for services rendered up to the point of termination.

### **Commissionable Securities Sales**

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Our firm and representatives do not sell securities for a commission in advisory accounts.

## **Item 6: Performance-Based Fees & Side-By-Side Management**

We do not accept performance-based fees for our advisory services. However, our firm is in receipt of performance fees related to our role with Cypress Vieux Investors, LLC and Granite Harbor - West Allis GP, LLC as described in Item 10 below. These fees are only applicable to investors in the fund.

## Item 7: Types of Clients & Account Requirements

Our firm works with the following types of clients:

- Individuals and High Net Worth Individuals;
- Trusts, Estates or Charitable Organizations;
- Corporations, Limited Liability Companies and/or Other Business Types.

We require a minimum household balance of \$100,000 for our Asset Management service. This minimum account balance requirement may be negotiable and would be required throughout the course of the client's relationship with our firm.

## Item 8: Methods of Analysis, Investment Strategies & Risk of Loss

Representatives of our firm are generally given full discretion to manage client assets based upon information obtained from the client, including without limitation, a client's current financial status, investment objectives/goals, and risk tolerances. Our representatives will accordingly make recommendations based upon the information provided and may allocate a client's portfolio into any range of various investment products, such as mutual funds, stocks, bonds, exchange traded funds (ETF's) and others that are suitable based upon a client's individual needs. Representatives of our firm are charged with continuous monitoring of client portfolios to respond to a change in a client's investment objectives, risk tolerances or financial condition that may warrant a change in the strategy employed or recommendations made. Likewise, client accounts are periodically reviewed by our firm to ensure consistency of program strategies and performance with clients' stated objectives.

Our representatives may use several sources to gather information including by not limited to Financial Newspapers and Magazines, Research Materials prepared by others, Corporate rating services, Timing services, Annual reports, prospectuses, filings with the SEC, Company press releases and other materials providing investment related information.

Our firm will make long-term purchases (securities held at least a year), short term purchases (securities sold within a year), trading (securities sold within 30 days). Generally, there is more risk involved with shorter trading.

Strategies employed by our firm may include, but are not limited to: Conservative, Income, Growth & Income, Growth, and Aggressive. Investing in securities involves risk of loss that clients should be prepared to bear. Our firm does not represent or guarantee that its services and recommendations can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. Equity based mutual funds are subject to risks similar to those of stocks, including market risk, which is the risk that investment returns will fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost. International mutual funds are subject to fluctuations due to changes in a currency's exchange rate and political risk. Fixed-income mutual funds (bond funds) fluctuate with the bond market.

Fixed income risks include credit risk (the risk that a company or bond issuer may fail to pay principal and interest payments in a timely manner); interest rate risk (the risk that the market value of the bonds will go down when interest rates go up); and prepayment risk (the risk that a bond will be paid

off early). Our firm cannot offer any guarantees or promises that a client's financial goals and objectives will be met. Past performance is in no way an indication of future performance.

**Options:** An option is a financial derivative that represents a contract sold by one party (the option writer) to another party (the option holder, or option buyer). The contract offers the buyer the right, but not the obligation, to buy or sell a security or other financial asset at an agreed-upon price (the strike price) during a certain period of time or on a specific date (exercise date). Options are extremely versatile securities. Traders use options to speculate, which is a relatively risky practice, while hedgers use options to reduce the risk of holding an asset. In terms of speculation, option buyers and writers have conflicting views regarding the outlook on the performance of a:

- *Call Option:* Call options give the option to buy at certain price, so the buyer would want the stock to go up. Conversely, the option writer needs to provide the underlying shares in the event that the stock's market price exceeds the strike due to the contractual obligation. An option writer who sells a call option believes that the underlying stock's price will drop relative to the option's strike price during the life of the option, as that is how he will reap maximum profit. This is exactly the opposite outlook of the option buyer. The buyer believes that the underlying stock will rise; if this happens, the buyer will be able to acquire the stock for a lower price and then sell it for a profit. However, if the underlying stock does not close above the strike price on the expiration date, the option buyer would lose the premium paid for the call option.
- *Put Option:* Put options give the option to sell at a certain price, so the buyer would want the stock to go down. The opposite is true for put option writers. For example, a put option buyer is bearish on the underlying stock and believes its market price will fall below the specified strike price on or before a specified date. On the other hand, an option writer who sells a put option believes the underlying stock's price will increase about a specified price on or before the expiration date. If the underlying stock's price closes above the specified strike price on the expiration date, the put option writer's maximum profit is achieved. Conversely, a put option holder would only benefit from a fall in the underlying stock's price below the strike price. If the underlying stock's price falls below the strike price, the put option writer is obligated to purchase shares of the underlying stock at the strike price.

The potential risks associated with these transactions are that (1) all options expire. The closer the option gets to expiration, the quicker the premium in the option deteriorates; and (2) Prices can move very quickly. Depending on factors such as time until expiration and the relationship of the stock price to the option's strike price, small movements in a stock can translate into big movements in the underlying options.

**Margin Loans:** Our firm may allow or recommend that you to pledge securities from your portfolio as collateral for a loan by using margin in brokerage account. This allows you to own more stock than you would be able to with your available cash. Margin accounts and transactions are risky and not necessarily appropriate for every client.

The potential risks associated with these transactions are (1) You can lose more funds than are deposited into the margin account; (2) the forced sale of securities or other assets in your account; (3) the sale of securities or other assets without contacting you; (4) you may not be entitled to choose which securities or other assets in your account(s) are liquidated or sold to meet a margin call; and (5) custodians charge interest on margin balances which will reduce your returns over time.



## Item 9: Disciplinary Information

In December 2013, Brian Sak entered into an Acceptance, Waiver, and Consent with the Financial Industry Regulatory Authority for not disclosing an outside business activity to AXA Advisors, LLC, Sak's employing firm at the time of the disclosure. Without admitting or denying the findings, Sak consented to the described sanction and to the entry of findings. Therefore, he was fined \$5,000 and was suspended from association with any FINRA Member in any capacity for 30 days. The suspension was in effect from January 6, 2014, through February 4, 2014.

## Item 10: Other Financial Industry Activities & Affiliations

Representatives of our firm are licensed insurance agents/brokers. They may offer products and receive normal and customary commissions as a result of these transactions. A conflict of interest may arise as these commissionable insurance sales may create an incentive to recommend products based on the compensation they may earn. To mitigate this potential conflict of interest, our firm's representatives will adhere to our firm's Code of Ethics and only offer suitable products that are in the best interests of the client. Additionally, clients are free to purchase insurance products from any insurance company and are not obligated to purchase these products through our firm's representatives.

GHA through our ownership of Cypress Vieux Manager, LLC (Fund Manager) sponsors and offers interests in Cypress Vieux Investors, LLC (Cypress Fund) a private equity fund. Through our ownership in the Fund Manager, we receive a management and performance fee charged to investors in the Cypress Fund. The receipt of this compensation creates a conflict of interest which could incentivize our representatives to recommend client investments in this fund. GHA will adhere to our fiduciary duty and only make such recommendations when we deem them to be in the client's best interest.

GHA, through our ownership of Granite Harbor - West Allis GP, LLC (Fund Manager) sponsors and offers interests in Granite Harbor - West Allis Investors, LP (West Allis Fund) a private fund. Through our ownership in the Fund Manager, we receive a management and performance fee charged to investors in the West Allis Fund. The receipt of this compensation creates a conflict of interest which could incentivize our representatives to recommend client investments in this fund. GHA will adhere to our fiduciary duty and only make such recommendations when we deem them to be in the client's best interest.

Our firm also has an affiliation with Granite Harbor Group ("GHG") via ownership interests of some of our management personnel. While our representatives may offer these insurance services to clients of our firm, those clients are not obligated to purchase such products through our affiliated firm and are free to purchase these products from any insurance company. GHG receives financial incentives from Clarity 2 Prosperity "C2P", an annuity distribution network. These incentives reimburse outside vendors for marketing efforts, from which Granite Harbor Advisors may also benefit. These incentives are directly tied to GHG's use of C2P's distribution network, but are not contingent upon any future business to be directed to their network. Incentives from C2P are not reimbursable to GHA or GHG for cash consideration and are only directly paid to outside vendors. Nonetheless, it creates a conflict of interest that may incentivize GHG to utilize their network or products available through their network. Our firm will adhere to our fiduciary duty to act in our client's best interest when selecting what products to use for advisory clients.

As mentioned in Item 4 above, our firm has a relationship with SEI Investments Company ("SEI"), where SEI will provide our firm various programs for management of client assets. As part of this process, we will provide initial due diligence on the programs available, gather information from clients about their financial situation, investment objectives, and restrictions, and deliver the required account paperwork and disclosure documents if the client selects a program. Prior to referring clients to SEI, we will ensure that they are licensed or notice filed with the respective authorities. Fees for sub-advisory services rendered to our clients by SEI are billed on a pro-rata basis quarterly in arrears based on the average daily balance of the account(s) value during the billing period. Our firm calculates the quarterly fee due to us and instructs SEI the amount to deduct from your managed account. Our fee will be in addition to fees that are imposed by SEI for programs and managers they make available, which they deduct separately. SEI establishes and maintains their own separate billing processes, which we have no control of. The advisory fee paid by the client shall not exceed the fee published for this service in item 5. The terms and conditions under which the client shall engage SEI will be set forth in a separate agreement between the client and SEI.

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

An investment adviser is considered a fiduciary and our firm has a fiduciary duty to all clients. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. Our fiduciary duty is considered the core underlying principle for our Code of Ethics which also includes Insider Trading and Personal Securities Transactions Policies and Procedures. If a client or a potential client wishes to review our Code of Ethics in its entirety, a copy will be provided upon request.

We recognize that the personal investment transactions of members and employees of our firm demand the application of a high Code of Ethics and require that all such transactions be carried out in a way that does not endanger the interest of any client. At the same time, we believe that if investment goals are similar for clients and for members and employees of our firm, it is logical and even desirable that there be common ownership of some securities.

Therefore, to prevent conflicts of interest, we have in place a set of procedures (including a pre-clearing procedure) with respect to transactions effected by our members, officers and employees for their personal accounts<sup>1</sup>. To monitor compliance with our personal trading policy, we have a quarterly securities transaction reporting system for all of our associates. Upon employment or affiliation and at least annually thereafter, all supervised persons will sign an acknowledgement that they have read, understand, and agree to comply with our Code of Ethics.

Neither our firm nor a related person recommends to clients, or buys or sells for client accounts, securities in which our firm or a related person has a material financial interest. Related persons of our firm may buy or sell securities and other investments that are also recommended to clients. To minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics. Further, our related persons will refrain from buying or selling the same securities prior to buying or selling for our clients in the same day. If related persons' accounts are included in a block trade, our related persons' accounts will be traded in the same manner every time.

<sup>1</sup> For purposes of the policy, our associate's personal account generally includes any account (a) in the name of our associate, his/her spouse, his/her minor children or other dependents residing in the same household, (b) for which our associate is a trustee or executor, or (c) which our associate controls, including our client accounts which our associate controls and/or a member of his/her household has a direct or indirect beneficial interest in.

Our firm and supervised persons must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of our Code of Ethics.

## Item 12: Brokerage Practices

### Selecting a Brokerage Firm

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

- Timeliness of execution
- Timeliness and accuracy of trade confirmations
- Research services provided
- Ability to provide investment ideas
- Execution facilitation services provided
- Record keeping services provided
- Custody services provided
- Frequency and correction of trading errors
- Ability to access a variety of market venues
- Expertise as it relates to specific securities
- Financial condition
- Business reputation
- Quality of services

With this in consideration, our firm participates in the TD Ameritrade Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. ("TD Ameritrade") member FINRA/SIPC. In addition, our firm also has an arrangement with Charles Schwab & Co. Inc. ("Schwab"). Both Schwab and TD Ameritrade (herein known as "our custodians") are qualified custodians from whom our firm is also independently owned and operated. Our custodians offer services to independent investment advisers which includes custody of securities, trade execution, clearance and settlement of transactions. Our custodians enable us to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Our custodians do not charge client accounts separately for custodial services. Client accounts will be charged transaction fees, commissions or other fees on trades that are executed or settle into the client's custodial account. Transaction fees may be charged based on a percentage of the dollar amount of assets in the account(s) or via individual transaction charges. These fees are negotiated with our custodians and are generally discounted from customary retail commission rates. This benefits clients because the overall fee paid is often lower than would be otherwise.

Our custodians may make certain research and brokerage services available at no additional cost to our firm all of which qualify for the safe harbor exemption defined in Section 28(e) of the Securities Exchange Act of 1934. These services may be directly from independent research companies, as selected by our firm (within specific parameters). Research products and services provided by our custodians may include research reports on recommendations or other information about, particular companies or industries; economic surveys, data and analyses; financial publications; portfolio evaluation services; financial database software and services; computerized news and pricing services;

quotation equipment for use in running software used in investment decision-making; and other products or services that provide lawful and appropriate assistance by our custodians to our firm in the performance of our investment decision-making responsibilities.

Our custodians do not make client brokerage commissions generated by client transactions available for our firm's use. The aforementioned research and brokerage services are used by our firm to manage accounts for which our firm has investment discretion. Without this arrangement, our firm might be compelled to purchase the same or similar services at our own expense.

As part of our fiduciary duty to our clients, our firm will endeavor at all times to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits by our firm or our related persons creates a potential conflict of interest and may indirectly influence our firm's choice of our custodians as a custodial recommendation. Our firm examined this potential conflict of interest when our firm chose to recommend our custodians and have determined that the recommendation is in the best interest of our firm's clients and satisfies our fiduciary obligations, including our duty to seek best execution.

Our non-wrap fee clients may pay a transaction fee or commission to our custodians that is higher than another qualified broker dealer might charge to effect the same transaction where our firm determines in good faith that the commission is reasonable in relation to the value of the brokerage and research services provided to the client as a whole.

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 a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Although our firm will seek competitive rates, to the benefit of all clients, our firm may not necessarily obtain the lowest possible commission rates for specific client account transactions.

### **Soft Dollars**

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Our firm does not receive soft dollars in excess of what is allowed by Section 28(e) of the Securities Exchange Act of 1934. The safe harbor research products and services obtained by our firm will generally be used to service all of our clients but not necessarily all at any one particular time. TD Ameritrade pays for clients' subscriptions fees to Orion Advisors Services, our firm's performance reporting software, for the first 12 months of the subscription.

### **Client Brokerage Commissions**

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We do not use client brokerage commissions to obtain research or other products or services. The aforementioned research and brokerage services are used by our firm to manage accounts for which we have investment discretion. Without this arrangement, our firm might be compelled to purchase the same or similar services at our own expense.

### **Procedures to Direct Client Transactions in Return for Soft Dollars**

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We do not direct client transactions to a particular broker-dealer in return for soft dollar benefits.

### **Brokerage for Client Referrals**

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Our firm does not receive brokerage for client referrals.

### **Directed Brokerage**

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Our firm maintains a limited discretionary authority in making the determination of the brokers with whom orders for the purchase or sale of securities are placed for execution, and the commission rates at which such securities transactions are affected. Specifically, we may execute bond trades with 280 Securities where we determine the quality of execution to be in the client's best interest. Outside of that we routinely recommend that a client directs us to execute through a specified broker-dealer. Our firm recommends the use of our custodians. Each client will be required to establish their account(s) with our custodians if not already done. Please note that not all advisers have this requirement.

### **Permissibility of Client-Directed Brokerage**

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We allow clients to direct brokerage outside our recommendation. We may be unable to achieve the most favorable execution of client transactions. Client directed brokerage may cost clients more money. For example, in a directed brokerage account, you may pay higher brokerage commissions because we may not be able to aggregate orders to reduce transaction costs, or you may receive less favorable prices.

### **Special Considerations for ERISA Clients**

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A retirement or ERISA plan client may direct all or part of portfolio transactions for its account through a specific broker or dealer to obtain goods or services on behalf of the plan. Such direction is permitted provided that the goods and services provided are reasonable expenses of the plan incurred in the ordinary course of its business for which it otherwise would be obligated and empowered to pay. ERISA prohibits directed brokerage arrangements when the goods or services purchased are not for the exclusive benefit of the plan. Consequently, we will request that plan sponsors who direct plan brokerage provide us with a letter documenting that this arrangement will be for the exclusive benefit of the plan.

### **Aggregation of Purchase or Sale**

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We perform investment management services for various clients. There are occasions on which portfolio transactions may be executed as part of concurrent authorizations to purchase or sell the same security for numerous accounts served by our firm, which involve accounts with similar investment objectives. Although such concurrent authorizations potentially could be either advantageous or disadvantageous to any one or more particular accounts, they are affected only when we believe that to do so will be in the best interest of the effected accounts. When such concurrent authorizations occur, the objective is to allocate the executions in a manner which is deemed equitable to the accounts involved. In any given situation, we attempt to allocate trade executions in the most equitable manner possible, taking into consideration client objectives, current asset allocation and availability of funds using price averaging, proration, and consistently non-arbitrary methods of allocation.

### Item 13: Review of Accounts or Financial Plans

We review accounts on at least an annual basis for clients subscribing to our Asset Management service. The nature of these reviews is to learn whether clients' accounts are in line with their investment objectives, appropriately positioned based on market conditions, and investment policies, if applicable. We review SEI account performance on at least an annual basis during which the manager's performance as it pertains to the client is evaluated and to confirm that the account continues to meet the client's investment objectives and income needs. Only our Financial Advisors or Portfolio Managers will conduct reviews. We may review client accounts more frequently than described above. Among the factors which may trigger an off-cycle review are major market or economic events, the client's life events, requests by the client, etc. We do not provide written reports to clients, unless asked to do so. Verbal reports to clients take place on at least an annual basis when we contact clients who subscribe to this service.

Retirement Plan Consulting clients receive reviews of their pension plans for the duration of the Retirement Plan Consulting service. We also provide ongoing services to Retirement Plan Consulting clients where we meet with such clients upon their request to discuss updates to their plans, changes in their circumstances, etc. Retirement Plan Consulting clients do not receive written or verbal updated reports regarding their pension plans unless they choose to contract with us for ongoing Retirement Plan Consulting services.

Financial Planning clients will receive reviews of their written plans for the duration of the engagement. Financial Planning clients who engage us on an annual financial planning basis may receive written or verbal updated reports regarding their financial plans.

### Item 14: Client Referrals & Other Compensation

#### **Schwab**

Our firm receives economic benefit from Schwab in the form of the support products and services made available to our firm and other independent investment advisors that have their clients maintain accounts at Schwab. These products and services, how they benefit our firm, and the related conflicts of interest are described above (*see Item 12 – Brokerage Practices*). The availability of Schwab's products and services is not based on our firm giving particular investment advice, such as buying particular securities for our clients.

#### **TD Ameritrade**

As disclosed under Item 12 of this Brochure, we participate in TD Ameritrade's institutional customer program and we may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between our firm's participation in the program and the investment advice we give to our Clients, although we receive economic benefits through our participation in the program that are typically not available to TD Ameritrade 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 our firm's participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); 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 us by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by our firm's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit our firm but may not benefit our Client accounts. These products or services may assist us in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help us manage and further develop our business enterprise. The benefits received by our firm or our personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of our fiduciary duties to our clients, we endeavor at all times to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits by our firm or our related persons in and of itself creates a potential conflict of interest and may indirectly influence our firm's choice of TD Ameritrade for custody and brokerage services.

### **Referral Fees**

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In accordance with Rule 206 (4)-1 of the Investment Advisers Act of 1940, our firm provides cash or non-cash compensation directly or indirectly to unaffiliated persons for testimonials or endorsements (which include client referrals). Such compensation arrangements will not result in higher costs to the referred client. In this regard, our firm maintains a written agreement with each unaffiliated person that is compensated for testimonials or endorsements in an aggregate amount of \$1,000 or more (or the equivalent value in non-cash compensation) over a trailing 12-month period in compliance with Rule 206 (4)-1 of the Investment Advisers Act of 1940 and applicable state and federal laws. The following information will be disclosed clearly and prominently to referred prospective clients at the time of each testimonial or endorsement:

- Whether or not the unaffiliated person is a current client of our firm,
- A description of the cash or non-cash compensation provided directly or indirectly by our firm to the unaffiliated person in exchange for the referral, if applicable, and
- A brief statement of any material conflicts of interest on the part of the unaffiliated person giving the referral resulting from our firm's relationship with such unaffiliated person.

In cases where state law requires licensure of solicitors, our firm ensures that no solicitation fees are paid unless the solicitor is registered as an investment adviser representative of our firm. If our firm is paying solicitation fees to another registered investment adviser, the licensure of individuals is the other firm's responsibility.

## **Item 15: Custody**

We are deemed to have custody of certain client assets if given the authority to withdraw assets from client accounts, as further described below under "Third Party Money Movement." Additionally, our affiliation with Cypress Vieux Investors, LLC and Granite Harbor - West Allis Investors, LP also creates custody implications for our firm as described below.

### **Cypress Vieux Investors, LLC**

GHA through our ownership of Cypress Vieux Manager, LLC (Fund Manager) sponsors and offers interests in Cypress Vieux Investors, LLC (Cypress Fund) a private equity fund. Through our ownership in the Fund Manager, we are deemed to have custody of assets invested in the Cypress Fund. In compliance with SEC Rule 206(4)-2(b)(4)(i), the Funds each send an audited financial



statement, audited by a registered Public Company Accounting Oversight Board (“PCAOB”) accountant, to each Fund investor within 120 days of each Fund’s fiscal year end. By ensuring these steps are followed, our firm’s annual surprise examination requirement is satisfied. Clients are encouraged to raise any questions with us about the custody, safety or security of their assets and our custodial recommendations.

### **Granite Harbor - West Allis Investors, LP**

GHA through our ownership of Granite Harbor - West Allis GP, LLC (Fund Manager) sponsors and offers interests in Granite Harbor - West Allis Investors, LP (West Allis Fund) a private fund. Through our ownership in the Fund Manager, we are deemed to have custody of assets invested in the West Allis Fund. In compliance with SEC Rule 206(4)-2(b)(4)(i), the Funds each send an audited financial statement, audited by a registered Public Company Accounting Oversight Board (“PCAOB”) accountant, to each Fund investor within 120 days of each Fund’s fiscal year end. By ensuring these steps are followed, our firm’s annual surprise examination requirement is satisfied. Clients are encouraged to raise any questions with us about the custody, safety or security of their assets and our custodial recommendations.

### **Third Party Money Movement**

The SEC issued a no-action letter (“Letter”) with respect to the Rule 206(4) -2 (“Custody Rule”) under the Investment Advisers Act of 1940 (“Advisers Act”). The letter provided guidance on the Custody Rule as well as clarified that an adviser who has the power to disburse client funds to a third party under a standing letter of instruction (“SLOA”) is deemed to have custody. As such, our firm has adopted the following safeguards in conjunction with our custodian:

- The client provides an instruction to the qualified custodian, in writing, that includes the client’s signature, the third party’s name, and either the third party’s address or the third party’s account number at a custodian to which the transfer should be directed.
- The client authorizes the investment adviser, in writing, either on the qualified custodian’s form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
- The client’s qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client’s authorization, and provides a transfer of funds notice to the client promptly after each transfer.
- The client has the ability to terminate or change the instruction to the client’s qualified custodian.
- The investment adviser has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client’s instruction.
- The investment adviser maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.
- The client’s qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

All our clients receive account statements directly from their qualified custodian(s) at least quarterly upon opening of an account. We urge our clients to carefully review these statements. Additionally, if our firm decides to send its own account statements to clients, such statements will include a legend



that recommends the client compare the account statements received from the qualified custodian with those received from our firm. Clients are encouraged to raise any questions with us about the custody, safety or security of their assets and our custodial recommendations.

### **Item 16: Investment Discretion**

Asset Management clients have the option of providing our firm with investment discretion on their behalf, pursuant to an executed investment advisory client agreement. Wrap Portfolio Management clients are required to grant our firm discretionary authority. By granting investment discretion, we are authorized to execute securities transactions, which securities are bought and sold, and the total amount to be bought and sold. Limitations may be imposed by the client in the form of specific constraints on any of these areas of discretion with our firm's written acknowledgement.

### **Item 17: Voting Client Securities**

We do not accept proxy authority to vote client securities. Clients will receive proxies or other solicitations directly from their custodian or a transfer agent. In the event that proxies are sent to our firm, we will forward them on to you and ask the party who sent them to mail them directly to you in the future. Clients may call, write, or email us to discuss questions they may have about particular proxy votes or other solicitations.

### **Item 18: Financial Information**

We are not required to provide financial information in this Brochure because:

- We do not require the prepayment of more than \$1,200 in fees and six or more months in advance.
- We do not take custody of client funds or securities.
- We do not have a financial condition or commitment that impairs our ability to meet contractual and fiduciary obligations to clients.

We have never been the subject of a bankruptcy proceeding.