

**ITEM 1: COVER PAGE**

EIGHT 31 FINANCIAL, LLC  
(“*Eight 31*” or “*Registrant*”)

**ADV Part 2A, Appendix 1  
Wrap Fee Program Brochure**

**November 7, 2023**

400 E Loop 250 N, Suite 117,  
Midland, Texas, 79705

**This brochure provides information about the qualifications and business practices of Eight 31. If you have any questions about the contents of this brochure, please contact us at (432) 559-5592. 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 Eight 31 also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**References herein to Eight 31 as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.**

## **ITEM 2: MATERIAL CHANGES**

This is the initial version of the Wrap Fee Program Brochure for Eight 31, so there are no material changes to report in this item. In connection with the annual updating amending to the Wrap Fee Program Brochure, we will revise this item to include a summary of any material changes.

We encourage all clients to review this Wrap Fee Brochure in its entirety.

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## ITEM 4 SERVICES, FEES AND COMPENSATION

### A. INVESTMENT ADVISORY SERVICES

The client can determine to engage the Registrant to provide discretionary investment advisory services on a wrap fee basis. (See discussion below). If a client determines to engage the Registrant on a wrap fee basis, the client will pay a single fee for investment advisory services, brokerage and custody, inclusive of commission and transactions costs. The services included in a wrap fee agreement will depend upon each client's particular need.

#### EIGHT 31 FINANCIAL WRAP PROGRAM

The Registrant is the sponsor and investment manager of the Eight 31 Financial, LLC Wrap Program (the "Program"). Under the Program, the Registrant and/or independent investment managers are able to offer participants discretionary and/or non-discretionary investment management services, for a single specified annual Fee, inclusive of trade execution, custody, reporting, and investment management fees ("Program Fee"). The Registrant charges an annual Program fee for participation in the Program. The Program Fee is charged as a percentage of assets under management, on a non-graduated basis, as follows:

<u>Market Value of Portfolio</u>	<u>Annual Fee %</u>
Accounts valued \$5,000,000 and below	Up to 2.00%
Accounts valued between \$5,000,000 and \$10,000,000	Up to 1.65%
Accounts valued between \$10,000,000 and \$24,999,999	Up to 1.40%
Accounts valued at \$25,000,000	Up to 1.25%
Accounts valued in excess of \$25,000,000	Negotiable

The Registrant's investment advisory fee is negotiable at Registrant's discretion, depending upon objective and subjective factors including but not limited to: the amount of assets to be managed; portfolio composition; the scope and complexity of the engagement; the anticipated number of meetings and servicing needs; related accounts; future earning capacity; anticipated future additional assets; the professional(s) rendering the service(s); prior relationships with the Registrant and/or its representatives, and negotiations with the client. Similarly situated clients could pay different fees based upon certain criteria (*i.e.*, anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.). In addition, similar advisory services may be available from other investment advisers for similar or lower fees.

The Registrant may provide consulting services (on investment and non-investment related matters) on a stand-alone fee basis. The Registrant's consulting fees are negotiable, and the Registrant may be engaged on a fixed fee or hourly basis, but its hourly fees generally range from \$150 to \$500, depending upon the level and scope of the services required and the professionals rendering the services. Such fees are separate from the fees under the Program.

Under the Program, the Registrant may be provided with written authority to determine which securities and the amounts of securities that are bought or sold. Any limitations on this discretionary authority shall be included in the written agreement between each client and the Registrant. Clients may amend these limitations, in writing, at any time. The client shall have reasonable access to one of the Registrant's investment professionals to discuss their account.

Clients are required to open brokerage accounts and enter into new account agreements with Pershing Advisors Solutions, LLC through Pershing LLC ("*Pershing*"), or other broker-dealers approved by Registrant under the Program.

Except as discussed above and for assets managed via the Pontera platform, which are subject to an annual minimum fee of \$2,500, the Registrant does not require any minimum annual fee for investment advisory services. The *Wrap Fee Agreement* between the Registrant and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Wrap Fee Agreement*. Upon termination, the Registrant shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.

**Fee Calculation:** The fee charged is calculated as described above and is not charged on the basis of a share of capital gains or capital appreciation of the funds or any portion of the funds of an advisory client.

**Fee Payment:** Registrant's annual investment advisory fee shall be prorated and paid monthly, in arrears, based upon the market value of the account on the last business day of the previous month.

**Investment Risk:** Investing in securities involves risk of loss that clients should be prepared to bear. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Registrant) will be profitable or equal any specific performance level(s). Investors generally face the following investment risks:

B. Participation in the Program may cost more or less than purchasing such services separately. Also, the Program Fee charged by Registrant for participation in the Program may be higher or lower than those charged by other sponsors of comparable wrap fee programs.

Depending upon the Program Fee charged by the Registrant, the amount of portfolio activity in the client's account, and the value of custodial and other services provided, the Program Fee may or may not exceed the aggregate cost of such services if they were to be provided separately by Registrant or another firm who may provide such services on a non-wrap fee basis.

**Wrap Program-Conflict of Interest.** Registrant provides services on a wrap fee basis as a wrap program sponsor. Under Registrant's wrap program, the client generally receives investment advisory services, the execution of securities brokerage transactions, custody and reporting services for a single specified fee. Participation in a wrap program may cost the client more or less than purchasing such services separately. The terms and conditions of a wrap program engagement are more fully discussed in Registrant's Form ADV Parts 2A.

Because wrap program transaction fees and/or commissions are being paid by Registrant to the account custodian/broker-dealer, Registrant could have an economic incentive to maximize its compensation by seeking to minimize the number of trades in the client's account.

C. The Program Fee does not include certain charges and administrative fees, including, but not limited to, fees charged by independent managers, asset management platform fees, transaction charges (including mark-ups and mark-downs) resulting from trades effected through or with a broker-dealer other than Pershing, transfer taxes, odd lot differentials, exchange fees, interest charges, American Depository Receipt agency processing fees, and any charges, taxes or other fees mandated by any federal, state or other applicable law or otherwise agreed to with regard to client accounts. Client accounts may invest in mutual funds (including money market funds) and exchange-traded funds ("ETFs") that have various internal fees and expenses (*i.e.*, management fees), which are paid by these funds but ultimately borne by clients as a fund shareholder. All of these fees and expenses are in addition to the Program Fee.

D. Registrant's related persons who recommend the Program to clients may receive compensation as a result of a client's participation in the Program. However, we do not offer non-wrap programs, so a related person would not face a conflict in recommending the wrap fee program over a non-wrap fee program. Notwithstanding, clients are reminded that there may be other wrap fee programs or non-wrap fee programs which may be more suitable. The client retains absolute discretion over all implementation decisions and is free to accept or reject any recommendation from the Registrant's related persons.

## **ITEM 5 ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS**

The Registrant's clients shall generally include individuals, high net worth individuals, pension and profit-sharing plans, charitable organizations and corporations and other businesses. The Registrant, in its discretion, may charge a lesser investment advisory fee, charge a flat fee, waive its fee entirely, or charge fee on a different interval, based upon different criteria from those specified on page four of this Wrap Fee Brochure (*i.e.*, anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, complexity of the engagement, anticipated services to be rendered, grandfathered fee schedules, employees and family members, courtesy accounts, competition, negotiations with client, etc.). The Registrant has a specified minimum account size of \$5,000,000, though this is subject to the Registrant's discretion including with respect to clients that are participants in the Program.

As result of the above, similarly situated clients could pay different fees. In addition, similar advisory services may be available from other investment advisers for similar or lower fees.

## **ITEM 6 PORTFOLIO MANAGER SELECTION AND EVALUATION**

A. The Registrant may allocate (and/or recommend that the client allocate) a portion of a client's investment assets among unaffiliated independent investment managers ("Independent Manager(s)") in accordance with the client's designated investment objective(s). Some or all of such Independent Manager(s) may be exclusively available through certain turnkey asset management platforms ("TAMPS"). In such situations, the Independent Manager[s] shall have day-to-day responsibility for the active discretionary management of the allocated Program assets.

The Registrant shall continue to render investment supervisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. Factors which the Registrant shall consider in recommending Independent Manager[s] include the client's designated investment objective(s), and the Independent Manager's management style, performance, reputation, financial strength, reporting, pricing, and research. Registrant generally performs reviews and monitors the performance of information furnished by the Independent Manager[s]. However, the Registrant does not ensure the accuracy or correctness of performance information provided by such Independent Manager[s].

Performance information furnished by the Independent Manager[s] may not be calculated on a uniform and consistent basis. Clients are encouraged to compare all information received from the Independent Manager[s] with information received from their custodians. The investment management fee charged by the Independent Manager[s], as well as the platform access fees charged by certain TAMPS, are separate from and in addition to, Registrant's advisory fee as set forth above. These investment management fees charged by Independent Managers and platform access fees charged by TAMPS are typically calculated based on the notional value of the client's account, and not in the same manner that the Registrant calculates its advisory fees. The timing, frequency, and manner in which such Independent Manager[s] collect fees may vary from Registrant's practices. Clients are advised to carefully review the Form ADV Part 2A of any engaged Independent Manager for further details.

B. The Registrant acts as the portfolio manager for the Program. Inasmuch as the Registrant will pay the execution costs for transactions effected in the client account, a conflict of interest arises in that the Registrant has a disincentive to trade securities in the client account.

As the Program sponsor, the Registrant shall be responsible for the primary management of the Program, including the selection and termination of all Independent Manager[s]. Once selected, Independent Manager[s] shall be responsible for day-to-day management and selection of securities for the account.

C. With limited exceptions, the Registrant does not offer investment advisory services on a non-wrap fee basis. The Registrant's advisory services do not include consulting services.

## **OTHER ADVISORY BUSINESS SERVICES**

### **INVESTMENT ADVISORY SERVICES**

The client is under no obligation to engage the services of any recommended professional. The client retains absolute discretion over all implementation decisions and is free to accept or reject any recommendation from the Registrant. If the client engages any professional (*i.e.*, attorney, accountant, insurance agent, etc.), recommended or otherwise, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from the engaged professional. At all times, the engaged licensed professional(s), and not Registrant, shall be responsible for the quality and competency of the services provided.

Clients are responsible for promptly notifying the Registrant if there is ever any change in their financial situation or investment objectives so that the Registrant can review, and if necessary, revise its previous recommendations or services.

### **CONSULTING SERVICES (STAND-ALONE)**

To the extent specifically requested by a client, Registrant may provide consulting services (including investment and non-investment related matters, such as estate planning, insurance planning, etc.) on either an hourly basis or a stand-alone separate fee basis. Before engaging the Registrant to provide stand-alone consulting services, clients are required to enter into a separate Consulting Services Agreement with Registrant setting forth the terms and conditions of the engagement.

### **MISCELLANEOUS ADVISORY SERVICES DISCLOSURE**

**Non-Investment Consulting/Implementation Services.** If requested by the client, the Registrant may provide consulting services regarding non-investment related matters, such as estate, tax and insurance planning. Neither the Registrant, nor any of its representatives, serves as an attorney or an accountant and no portion of the Registrant's services should be viewed as legal or accounting services. Accordingly, Registrant does not prepare estate planning documents or tax returns. To the extent requested by a client, the Registrant may recommend the services of other professionals for certain non-investment implementation purposes (*i.e.*, attorneys, accountants, insurance agents), including certain of the Registrant's investment adviser representatives in their separate registered or licensed capacities as discussed below.

**Stone Castle FICA Program.** The Registrant may recommend the FICA For Advisors cash management program ("FICA Program") offered by StoneCastle Network, LLC ("StoneCastle"), an affiliate of StoneCastle Cash Management, LLC. The FICA Program is designed to protect client money by placing it in deposit accounts at banks, savings institutions and credit unions (collectively, "Insured Depositories") in

a manner that maintains full insurance of the funds by the Federal Deposit Insurance Corporation (“FDIC”) or National Credit Union Administration (“NCUA”), as is applicable. Clients who choose to participate in the FICA Program will have their funds deposited within StoneCastle’s network of Insured Depositories (“Deposit Network”). StoneCastle does not require a minimum deposit to open a FICA Program account. The Registrant will assist clients in signing up for the FICA Program and facilitating the transfer of funds between the client’s like-named accounts.

**Conflict of Interest:** The Registrant may earn a fee, in addition to its advisory fee charged on client assets participating in the FICA Program, from StoneCastle, based upon client participation in the FICA Program.

**Inverse/Enhanced Market Strategies.** Eight 31 may utilize long and short mutual funds and/or ETFs that are designed to perform in either an: (1) inverse relationship to certain market indices (at a rate of 1 or more times the inverse [opposite] result of the corresponding index) as an investment strategy and/or for the purpose of hedging against downside market risk; and (2) enhanced relationship to certain market indices (at a rate of 1 or more times the actual result of the corresponding index) as an investment strategy and/or for the purpose of increasing gains in an advancing market. There can be no assurance that any such security will be profitable or achieve its objective. To the contrary, such funds and/or strategy(ies) can suffer substantial losses. In light of these enhanced risks, a client may direct the Registrant, in writing, not to employ any or all leveraged or inverse ETFs.

**Non-Discretionary Service Limitations.** Clients that determine to engage the Registrant on a non-discretionary investment advisory basis must be willing to accept that the Registrant cannot affect any account transactions without obtaining prior consent to such transactions from the client. In the event Registrant would like to make a transaction for a client’s account (including in the event of an individual holding or general market correction), and the client is unavailable, Registrant will be unable to affect the account transaction(s) (as it would for its discretionary clients) without first obtaining the client’s consent.

**Pontera.** The Registrant uses Pontera, a third-party platform to facilitate the management of held away assets such as defined contribution plan participant accounts, with discretion. Those clients who choose to engage the Registrant to service their held away accounts will be provided a link to connect their outside accounts to the platform. Once the client’s account(s) is connected to the platform, Registrant will review the client’s current account allocations. Registrant will rebalance the connected outside accounts consistent with the client’s investment goals and risk tolerance. Client account(s) will be reviewed at least quarterly. The annual fee for Pontera accounts is 1.25% of the market value of the assets under management subject to an annual minimum fee of \$2,500. We pay 0.25% from our advisory fee to Pontera. Due to the use of Pontera, you will not pay our firm a higher advisory fee other than what is listed above.

**Availability and Use of Mutual and Exchange Traded Funds.** Registrant utilizes mutual funds and ETFs for its client portfolios. In addition to Registrant’s investment advisory fee described below, and transaction and/or custodial fees discussed above, clients will also incur, relative to all mutual fund ETF purchases, charges imposed at the fund level (e.g., management fees and other fund expenses).

**Retirement Plan Rollovers – No Obligation / Conflict of Interest** A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer’s plan, if permitted, (ii) roll over the assets to the new employer’s plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account (“IRA”), or (iv) cash out the account value (which could, depending upon the client’s age, result in adverse tax consequences). If Registrant recommends that a client roll over their retirement plan assets into an account to be managed by Registrant, such a recommendation creates a conflict of interest if Registrant will earn a new (or increase its current) advisory fee as a result of the rollover. If Registrant provides a recommendation as to whether a client should engage in a rollover or not

(whether it is from an employer's plan or an existing IRA), Registrant is acting as a fiduciary within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. No client is under any obligation to rollover retirement plan assets to an account managed by Registrant.

**Portfolio Activity.** Registrant has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, Registrant will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including but not limited to investment performance, financial circumstances, and changes in the client's investment objectives. Based upon these and other factors, there may be extended periods of time when Registrant determines that changes to a client's portfolio are neither necessary nor prudent. Notwithstanding, there can be no assurance that investment decisions made by Registrant will be profitable or equal any specific performance level(s).

**Client Obligations.** In performing its services, the Registrant will not be required to verify any information received from the client or from the client's other professionals and is expressly authorized to rely on the information in its possession. Clients are reminded that it remains their responsibility to promptly notify the Registrant if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising Registrant's previous recommendations and/or services.

**Cash Positions.** Registrant continues to treat cash as an asset class. As such, unless determined to the contrary by Registrant, all cash positions (money markets, etc.) shall continue to be included as part of assets under management for purposes of calculating Registrant's advisory fee. At any specific point in time, depending upon perceived or anticipated market conditions/events (there being no guarantee that such anticipated market conditions/events will occur), Registrant may maintain cash positions for defensive purposes. In addition, while assets are maintained in cash, such amounts could miss market advances. Depending upon current yields, at any point in time, Registrant's advisory fee could exceed the interest paid by the client's money market fund.

**Cash Sweep Accounts.** Account custodians generally require that cash proceeds from account transactions or cash deposits be swept into and/or initially maintained in the custodian's sweep account. The yield on the sweep account is generally lower than those available in money market accounts. Exceptions and/or modifications can and will occur with respect to all or a portion of the cash balances for various reasons, including, but not limited to, the amount of dispersion between the sweep account and a money market fund, an indication from the client of an imminent need for such cash, or the client has a demonstrated history of writing checks from the account.

**Restrictions.** The Registrant shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will determine each client's investment objectives. Once invested, the Registrant provides ongoing monitoring and review of account performance and asset allocation as compared to the client's investment objectives and may periodically rebalance an account based upon these reviews. The client may impose reasonable restrictions, in writing, on the Registrant's services.

**Cybersecurity Risk.** The information technology systems and networks that Registrant and its third-party service providers use to provide services to Registrant's clients employ various controls, which are designed to prevent cybersecurity incidents stemming from intentional or unintentional actions that could cause significant interruptions in Registrant's operations and result in the unauthorized acquisition or use of clients' confidential or non-public personal information. Clients and Registrant are nonetheless subject to the risk of cybersecurity incidents that could ultimately cause them to incur losses, including for example: financial losses, cost and reputational damage to respond to regulatory obligations, other costs associated with corrective measures, and loss from damage or interruption to systems. Although Registrant has

established its systems to reduce the risk of cybersecurity incidents from coming to fruition, there is no guarantee that these efforts will always be successful, especially considering that Registrant does not directly control the cybersecurity measures and policies employed by third-party service providers. Clients could incur similar adverse consequences resulting from cybersecurity incidents that more directly affect issuers of securities in which those clients invest, broker-dealers, qualified custodians, governmental and other regulatory authorities, exchange and other financial market operators, or other financial institutions.

**Disclosure Statement.** A copy of the Registrant's written Privacy Notice, ADV Disclosure Brochure as set forth on Form ADV Parts 2A, 2B, this Wrap Fee Brochure and Form CRS (Client Relationship Summary) shall be provided to each client prior to, or contemporaneously with, the execution of the applicable form of agreement between Registrant and the client. Any client who has not received a copy of Registrant's written Brochure at least 48 hours prior to executing such agreement shall have five business days subsequent to executing the agreement to terminate the Registrant's services without penalty.

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

Neither the Registrant nor any supervised person of the Registrant accepts performance-based fees.

### **Methods of Analysis, Investment Strategies and Risk of Loss**

The Registrant may use any combination of the following when analyzing securities or third-party managers:

- Research
  - Public, private and proprietary information;
  - Reviewing third party fundamental and macro analysis;
  - Reviews of academic research papers;
  - Technical research; and,
  - Formulating views and opinions around economic and geopolitical developments.
- Strategy Development and Implementation
  - Identify preferable investment space in the market;
  - Focus on styles and market segments where the dispersion between managers is significant – hire active managers for these pieces;
  - Where the dispersion between managers is minimal, allocate funds to passive managers;
  - Proprietary strategies are also managed next to external managers; and,
- Risk Management
  - Risk management is based upon the client's risk tolerance, allocations, and rebalancing of the client's portfolio.

The Registrant may utilize the following investment strategies when implementing investment advice given to clients:

- Long-Term Purchases – securities purchased with the intention of being held for at least a year;
- Short-Term Purchases – securities purchased with the intention of being sold within a year;
- Trading – securities purchased with the intention of being sold within thirty days; and
- Derivatives – the use of swaps, forwards, futures, options on futures and other options

**Investment Risk.** Investing in securities involves risk of loss that clients should be prepared to bear. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Registrant) will be profitable or equal any specific performance level(s). Investors generally face the following investment risks:

- **General Economic and Market Conditions** – The success of a client portfolio’s activities will be affected by general economic and market conditions, such as changes in interest rates, availability of credit and debt-related issues, inflation rates, economic uncertainty, market volatility, changes in laws (including laws relating to taxation investments), trade barriers, unemployment rates, release of economic data, currency exchange controls and national and international political circumstances (including wars, terrorist acts, natural disasters or security operations). These factors may affect the level and volatility of securities prices and the liquidity of portfolio investments. Volatility and/or illiquidity could impair profitability or result in losses. Portfolios could incur material losses even if Eight 31 reacts quickly to difficult market and economic conditions, and there can be no assurance that portfolios will not suffer material losses and other adverse effects from broad and rapid changes in economic and market conditions in the future. Investors should realize that markets for the financial instruments in which portfolios seek to invest can correlate strongly with each other at times or in ways that are difficult for Eight 31 to predict. Even a well-analyzed approach may not protect portfolios from significant losses under certain market conditions.
- **Interest-rate Risk** – Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk** – The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk may be caused by external factors independent of the fund’s specific investments as well as due to the fund’s specific investments. Additionally, each security’s price will fluctuate based on market movement, which may, or may not be due to the security’s operations or changes in its true value. For example, political, economic and social conditions may trigger market events which are temporarily negative, or temporarily positive.
- **Inflation Risk** – When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Reinvestment Risk** – This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (*i.e.*, interest rate). This primarily relates to fixed income securities.
- **Liquidity Risk** – Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk** – Excessive borrowing to finance a business’ operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.
- **Management Risk** – The Registrant’s investment approach may fail to produce the intended results. If the Registrant’s assumptions regarding the performance of a specific asset class or fund are not realized in the expected time frame, the overall performance of the client’s portfolio may suffer.
- **Equity Risk** – Equity securities tend to be more volatile than other investment choices. The value of an individual mutual fund or ETF can be more volatile than the market as a whole. This volatility affects the value of the client’s overall portfolio. Small- and mid-cap companies are subject to additional risks. Smaller companies may experience greater volatility, higher failure rates, more limited markets, product lines, financial resources, and less management experience than larger

companies. Smaller companies may also have a lower trading volume, which may disproportionately affect their market price, tending to make them fall more in response to selling pressure than is the case with larger companies.

- Fixed Income Risk – The issuer of a fixed income security may not be able to make interest and principal payments when due. Generally, the lower the credit rating of a security, the greater the risk that the issuer will default on its obligation. If a rating agency gives a debt security a lower rating, the value of the debt security will decline because investors will demand a higher rate of return. As nominal interest rates rise, the value of fixed income securities held by a fund is likely to decrease. A nominal interest rate is the sum of a real interest rate and an expected inflation rate.
- Investment Companies Risk – When a client invests in open end mutual funds or ETFs, the client indirectly bears their proportionate share of any fees and expenses payable directly by those funds. Therefore, the client will incur higher expenses, which may be duplicative. In addition, the client's overall portfolio may be affected by losses of an underlying fund and the level of risk arising from the investment practices of an underlying fund (such as the use of derivatives). ETFs are also subject to the following risks: (i) an ETF's shares may trade at a market price that is above or below their net asset value or (ii) trading of an ETF's shares may be halted if the listing exchange's officials deem such action appropriate, the shares are de-listed from the exchange, or the activation of market-wide "circuit breakers" (which are tied to large decreases in stock prices) halts stock trading generally. Eight 31 has no control over the risks taken by the underlying funds in which client invests.
- REIT Risk – To the extent that a client invests in real estate investment trusts ("REITs"), it is subject to risks generally associated with investing in real estate, such as (i) possible declines in the value of real estate, (ii) adverse general and local economic conditions, (iii) possible lack of availability of mortgage funds, (iv) changes in interest rates, and (v) environmental problems. In addition, REITs are subject to certain other risks related specifically to their structure and focus such as: dependency upon management skills; limited diversification; the risks of locating and managing financing for projects; heavy cash flow dependency; possible default by borrowers; the costs and potential losses of self-liquidation of one or more holdings; the possibility of failing to maintain exemptions from securities registration; and, in many cases, relatively small market capitalization, which may result in less market liquidity and greater price volatility.
- Foreign Securities Risk – Client portfolios and funds in which clients invest may invest in foreign securities. Foreign securities are subject to additional risks not typically associated with investments in domestic securities. These risks may include, among others, currency risk, country risks (political, diplomatic, regional conflicts, terrorism, war, social and economic instability, currency devaluations and policies that have the effect of limiting or restricting foreign investment or the movement of assets), different trading practices, less government supervision, less publicly available information, limited trading markets and greater volatility. To the extent that underlying funds invest in issuers located in emerging markets, the risk may be heightened by political changes, changes in taxation, or currency controls that could adversely affect the values of these investments. Emerging markets have been more volatile than the markets of developed countries with more mature economies.
- Trading risk – Investing involves risk, including possible loss of principal. There is no assurance that the investment objective of any fund or investment will be achieved.
- Private Equity/Placement Risk – Because offerings are exempt from registration requirements, no regulator has reviewed the offerings to make sure the risks associated with the investment and all material facts about the entity raising money are adequately disclosed. Securities offered through private placements are generally illiquid, meaning there are limited opportunities to resell the security. Risk of the underlying investment may be significantly higher than publicly traded investments.

- Sub-Advisers – The risks associated with utilizing Sub-Advises include manager risk, where a Sub-Adviser fails to execute the stated investment strategy, and business risk, where a Sub-Adviser has financial or regulatory problems.
- Epidemics, Pandemics, and Public Health Issues – The Registrant’s business activities, operations and client investments could be adversely affected by the outbreaks of epidemics and pandemics. A recurrence of an outbreak of any kind of epidemic, communicable disease or virus or major public health issue could cause a slowdown in the levels of economic activity generally, which would adversely affect the business, financial condition and operations of Eight 31. Should these or other major public health issues, including pandemics, arise or spread farther, the Registrant could be adversely affected by more stringent travel restrictions, additional limitations on the Registrant’s operations or business and governmental actions limiting the movement of people between regions and other activities or operations.
- Force Majeure & Catastrophic Risks – Eight 31 may be subject to operational risk from unforeseeable and uncontrollable catastrophic events, including fires, floods, earthquakes, adverse weather conditions and related power outages, water shortages or other damage caused by such events, changes in law, eminent domain, wars, riots, terrorist attacks, and other similar risks, which may be uninsurable or insurable at rates that the Registrant deems uneconomic. These events could result in loss and litigation, among other potentially detrimental effects. In February 2022, armed conflict escalated between Russia, and Ukraine and Russia invaded Ukraine. In response to Russia’s invasion of Ukraine, the United States, the European Union and various other countries have announced, and continue to announce and expand, sanctions against or targeting Russia and various important Russian people and companies. These sanctions currently include, among others, restrictions or bans on selling or importing goods, services or technology in or from Russia, bans on Russian energy imports, and travel bans and asset freezes impacting connected individuals and political, military, business and financial organizations in Russia. The U.S. and other countries could impose wider or more significant sanctions and take other actions against Russia or its interests should the conflict further escalate or deteriorate. The Ukraine-Russian conflict has led to, and may continue to lead to, significant political, geopolitical, economic and market turmoil and volatility, including dramatic increases in oil and gas prices and further supply chain disruptions. It is not possible to predict the broader consequences of this conflict or the sanctions imposed or applied as a result thereof, which could include further sanctions, embargoes, regional instability, geopolitical shifts, conflicts and adverse effects on macroeconomic conditions, currency exchange rates and financial markets, all of which could impact clients or the Registrant’s business, financial condition and results of operations.
- Disruption in the Financial Services Industry – The Registrant’s ability to make and consummate investments and engage in other activities and transactions could be adversely affected by the actions and stability of banks and other financial institutions. Banks and financial institutions are interrelated as a result of trading, clearing, counterparty and various other relationships. As a result, defaults or failures by, or even rumors or questions about or regarding, one of more banks or financial institutions, or the industry generally, have historically led to market-wide liquidity and other problems. Losses of depositor, creditor and counterparty confidence could lead to losses or defaults by clients and their investments and other banks and financial institutions (including banks and financial institutions that clients and their investments deal or interact with). There is no guarantee that the Department of Treasury, Federal Deposit Insurance Corporation, Securities Investor Protection Corporation and/or the Federal Reserve will provide access to uninsured funds in the future in the event of the closure of other financial institutions (or do so in a timely fashion), and it is uncertain whether these steps by the government will be sufficient to calm the financial markets, reduce the risk of significant depositor withdrawals at other institutions and thereby reduce the risk of additional bank failures.

The Registrant's methods of analysis and investment strategies do not present any significant or unusual risks. However, every method of analysis has its own inherent risks. To perform an accurate market analysis the Registrant must have access to current/new market information. The Registrant has no control over the dissemination rate of market information; therefore, unbeknownst to the Registrant, certain analyses may be compiled with outdated market information, severely limiting the value of the Registrant's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

The Registrant's primary investment strategies – Long Term Purchases, Short Term Purchases, and Trading – are quantitative investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer-term investment strategy. Trading, an investment strategy that requires the purchase and sale of securities within a thirty (30) day investment time period involves a very short investment time period but will incur higher transaction costs when compared to a short-term investment strategy and substantially higher transaction costs than a longer-term investment strategy.

In addition to the fundamental investment strategies discussed above, the Registrant may also implement and/or recommend derivative transactions which may involve a high level of inherent risk. The use of derivatives, such as swaps, forwards, futures, options on futures and other options, which are subject to additional risks, including that the value of the derivative may not correlate with the value of the underlying security, rate or index, that portfolio volatility may increase due to the leverage associated with the use of derivatives, and that the counterparty to the derivative may be unable to satisfy its obligations. Although the intent of the options-related transactions that may be implemented by the Registrant is to hedge against principal risk, certain of the options-related strategies (*i.e.*, straddles, short positions, etc.), may, in and of themselves, produce principal volatility and/or risk. Thus, a client must be willing to accept these enhanced volatility and principal risks associated with such strategies. In light of these enhanced risks, client may direct the Registrant, in writing, not to employ any or all such strategies for his/her/their/its accounts.

As appropriate in accordance with the client's investment objectives, the Registrant currently primarily allocates client assets among various independent investment managers, mutual funds, ETFs, individual debt and equity securities, derivatives, securities components of variable annuities and variable life insurance contracts.

**Borrowing Against Assets/Risks.** A client who has a need to borrow money could determine to do so by using:

- **Margin**-The account custodian or broker-dealer lends money to the client. The custodian charges the client interest for the right to borrow money, and uses the assets in the client's brokerage account as collateral; and,
- **Pledged Assets Loan**- In consideration for a lender (*i.e.*, a bank, etc.) to make a loan to the client, the client pledges its investment assets held at the account custodian as collateral;

These above-described collateralized loans are generally utilized because they typically provide more favorable interest rates than standard commercial loans. These types of collateralized loans can assist with a pending home purchase, permit the retirement of more expensive debt, or enable borrowing in lieu of liquidating existing account positions and incurring capital gains taxes. However, such loans are not without potential material risk to the client's investment assets. The lender (*i.e.*, custodian, bank, etc.) will have

recourse against the client's investment assets in the event of loan default or if the assets fall below a certain level. For this reason, Registrant does not recommend such borrowing unless it is for specific short-term purposes (*i.e.*, a bridge loan to purchase a new residence). Registrant does not recommend such borrowing for investment purposes (*i.e.*, to invest borrowed funds in the market). Regardless, if the client was to determine to utilize margin or a pledged assets loan, the following economic benefits would inure to Registrant:

- by taking the loan rather than liquidating assets in the client's account, Registrant continues to earn a fee on such Account assets; and,
- if the client invests any portion of the loan proceeds in an account to be managed by Registrant, Registrant will receive an advisory fee on the invested amount; and,
- if Registrant's advisory fee is based upon the higher margined account value (*see* margin disclosure at Item 5 below), Registrant will earn a correspondingly higher advisory fee. This could provide Registrant with a disincentive to encourage the client to discontinue the use of margin.

The Client must accept the above risks and potential corresponding consequences associated with the use of margin or a pledged assets loans.

**Risks Associated with the Use of Derivatives.** Certain of the ETFs and mutual funds the Registrant recommends or purchases on a discretionary basis for client accounts may use derivatives. Such strategies may be considered aggressive. Investing in derivatives may expose the clients to greater risks than investing directly in the reference asset(s) underlying those derivatives, such as counterparty risk, liquidity risk and increased correlation risk (each as discussed below).

When the recommended funds use derivatives, there may be imperfect correlation between the value of the reference asset(s) and the derivative, which may prevent the funds from achieving their investment objective. The funds may use a combination of swaps on an index (such as the Dow Jones US Health Care Index) and swaps on an ETF that is designed to track the performance of an index. The performance of the funds may not track the performance of an index due to embedded costs and other factors. Therefore, to the extent the funds invests in swaps that use an ETF as the reference asset, these funds may be subject to greater correlation risk and may not achieve as high a degree of correlation with an index as it would if the funds only used swaps on an index.

In addition, with respect to the use of swap agreements, if an index has a dramatic intraday move that causes a material decline in the funds' net assets, the terms of a swap agreement between the funds and its counterparty may permit the counterparty to immediately close out the transaction with the funds. In that event, the funds may be unable to enter into another swap agreement or invest in other derivatives to achieve the desired exposure consistent with the funds' investment objective. This, in turn, may prevent the funds from achieving their investment objective, even if an index reverses all or a portion of its intraday move by the end of the day. Any financing, borrowing and other costs associated with using derivatives may also have the effect of lowering the funds' return.

**Leverage Risk.** Certain of the funds recommended by the Registrant attempt to obtain investment exposure in excess of its assets in seeking to achieve their investment objectives—a form of leverage—and will lose more money in market environments adverse to its daily objective than a similar fund that does not employ such leverage. The use of such leverage could result in the total loss of an investor's investment.

**Compounding Risk.** The Registrant may recommend or invest certain clients in leveraged ETFs. As a result of mathematical compounding and because particular ETFs may have a single day investment objective, the ETF's performance for periods greater than a single day is likely to be either greater than or less than the Index it may be tracking for performance times the stated multiple in the ETF's objective

before accounting for fees and ETF expenses. Compounding affects all investments but has a more significant impact on a leveraged fund. Particularly during periods of higher volatility, compounding will cause longer term results to vary from the stated multiple in the ETF objective (e.g., 2x) of the return of the Index. This effect becomes more pronounced as volatility increases. ETF performance for periods greater than a single day can be estimated given any set of assumptions for the following factors: (a) Index performance; (b) Index volatility; (c) period of time; (d) financing rates associated with inverse exposure; (e) other fund expenses; and (f) dividends or interest paid with respect to securities in the Index.

**Options Risk:** The Registrant may engage in options transactions for the purpose of hedging risk and/or generating portfolio income. The use of options transactions as an investment strategy can involve a high level of inherent risk. Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security, depending upon the nature of the option contract. Generally, the purchase or sale of an option contract shall be with the intent of “hedging” a potential market risk in a client’s portfolio and/or generating income for a client’s portfolio.

Certain options-related strategies (*i.e.*, straddles, short positions, etc.), may, in and of themselves, produce principal volatility and/or risk. Thus, a client must be willing to accept these enhanced volatility and principal risks associated with such strategies. In light of these enhanced risks, client may direct Registrant, in writing, not to employ any or all such strategies for his/her/their/its accounts.

There can be no guarantee that an options strategy will achieve its objective or prove successful. No client is under any obligation to enter into any option transactions. However, if the client does so, he/she must be prepared to accept the potential for unintended or undesired consequences (*i.e.*, losing ownership of the security, incurring capital gains taxes).

#### **Covered Call Writing.**

Covered call writing is the sale of in-, at-, or out-of-the-money call options against a long security position held in a client portfolio. This type of transaction is intended to generate income. It also serves to create partial downside protection in the event the security position declines in value. Income is received from the proceeds of the option sale. Such income may be reduced or lost to the extent it is determined to buy back the option position before its expiration. There can be no assurance that the security will not be called away by the option buyer, which will result in the client (option writer) to lose ownership in the security and incur potential unintended tax consequences. Covered call strategies are generally better suited for positions with lower price volatility.

#### **Long Put Option Purchases.**

Long put option purchases allow the option holder to sell or “put” the underlying security at the contract strike price at a future date. If the price of the underlying security declines in value, the value of the long put option can increase in value depending upon the strike price and expiration. Long puts are often used to hedge a long stock position to protect against downside risk. The security/portfolio could still experience losses depending on the quantity of the puts bought strike price and expiration. In the event that the security is put to the option holder, it will result in the client (option seller) to lose ownership in the security and to incur potential unintended tax consequences. Options are wasting assets and expire (usually within months of issuance).

Finally, Registrant may also allocate investment management assets of its client accounts, on a discretionary basis, among one or more of its ETF and mutual fund and asset allocation programs (i.e., Aggressive, Moderately Aggressive, Moderate, and Conservative).

As disclosed above, the Registrant may use leveraged or inverse ETFs. Leveraged ETFs are securities that attempt to replicate multiples of the performance of an underlying financial index. Inverse ETFs are designed to replicate the opposite direction of these same indices, often at a multiple. These ETFs often use a combination of futures, swaps, short sales, and other derivatives to achieve these objectives. Most leveraged and inverse-leveraged ETFs are designed to achieve these results on a daily basis only. This means that over periods longer than a trading day, the value of these ETFs can and usually does deviate from the performance of the index they are designed to track. Over longer periods of time or in situations of high volatility, these deviations can be substantial. There can be no assurance that any such security will be profitable or achieve its objective. In light of these enhanced risks, a client may direct the Registrant, in writing, not to employ any or all leveraged or inverse ETFs.

Finally, Registrant may also allocate investment management assets of its client accounts, on a discretionary basis, among one or more of its ETF and mutual fund and asset allocation programs (i.e., Aggressive, Moderately Aggressive, Moderate, and Conservative).

### **Voting Client Securities**

The Registrant does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings, or other type events pertaining to the client's investment assets.

Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact the Registrant to discuss any questions they may have with a particular solicitation.

## **ITEM 7 CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS**

The Registrant shall be the Program's portfolio manager. The Registrant shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will determine each client's investment objectives. Once invested, the Registrant provides ongoing monitoring and review of account performance and asset allocation as compared to the client's investment objectives and may periodically rebalance an account based upon these reviews. The client may impose reasonable restrictions, in writing, on the Registrant's services.

As indicated above, clients are responsible for promptly notifying the Registrant if there is ever any change in their financial situation or investment objectives so that the Registrant can review, and if necessary, revise its previous recommendations or services.

To the extent the Program utilizes *Independent Manager[s]*, the Registrant shall provide the *Independent Manager[s]* with each client's particular investment objective(s). Any changes in the client's financial situation or investment objectives reported by the client to the Registrant shall be communicated to the *Independent Manager[s]* within a reasonable period of time.

## **ITEM 8 CLIENT CONTACT WITH PORTFOLIO MANAGERS**

The client shall have reasonable access to the Program's portfolio manager.

## **ITEM 9            ADDITIONAL INFORMATION**

The Registrant has not been the subject of any disciplinary actions. That notwithstanding, Dane Edward Crunk, principal of the Registrant, is currently involved in a civil arbitration with the other principal of Syntal Capital Partners, LLC (“Syntal”). While this dispute will occupy some of Mr. Crunk’s business time, it is not anticipated to affect his services to the Registrant.

### **AFFILIATED ENTITIES**

Mr. Crunk is indirectly, through an entity of which he is an owner, an owner of Syntal. The Registrant does not provide any investment advisory services with respect to Syntal. Clients of Syntal may become clients of Eight 31, and Eight 31 may recommend the same or similar investments to such clients. That notwithstanding, the Registrant’s fiduciary duty is with respect to its clients, and any investment recommendations made to the Registrant’s clients are based on the clients’ unique situations including individual investment goals, time horizons, objectives, and risk tolerance, among other factors. Mr. Crunk (and certain of his respective affiliates or family partnerships) are entitled to share in certain of the fees and/or carried interest distributions payable or distributable with respect to various pooled investment vehicles managed by Syntal.

Eight 31 Capital, LLC is a multi-family office owned and controlled by Mr. Crunk. Clients of Eight 31 Capital, LLC may become clients of Eight 31. That notwithstanding, the Registrant’s fiduciary duty is with respect to its clients, and any investment recommendations made to the Registrant’s clients are based on the clients’ unique situations including individual investment goals, time horizons, objectives, and risk tolerance, among other factors.

Eight 31 will devote the time to its clients’ affairs as is consistent with achieving their investment objectives. However, except as otherwise provided in agreements with clients, Eight 31 and any of its affiliates may engage in any activity permitted by applicable law.

### **CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

The Registrant maintains an investment policy relative to personal securities transactions. This investment policy is part of Registrant’s overall Code of Ethics, which serves to establish a standard of business conduct for all of Registrant’s representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, the Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person associated with the Registrant.

Neither the Registrant nor any related person of Registrant recommends, buys, or sells for client accounts, securities in which the Registrant or any related person of Registrant has a material financial interest.

The Registrant and/or representatives of the Registrant *may* buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as “scalping” (*i.e.*, a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, “front-running” (*i.e.*, personal trades executed prior to those of the Registrant’s clients) and other

potentially abusive practices.

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant's "Access Persons." The Registrant's securities transaction policy requires that Access Person of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date the Registrant selects and transactions reports for the prior quarter within thirty (30) days after the end of the calendar quarter.

The Registrant and/or representatives of the Registrant *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above, the Registrant has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Registrant's Access Persons.

#### **REVIEW OF ACCOUNTS**

For those clients to whom Registrant provides investment advisory services, account reviews are conducted at least annually by the Registrant's Principal. In addition, Registrant contacts investment advisory clients at least annually to review previous services, recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives. All clients are advised that it remains their responsibility to advise the Registrant of any changes in their investment objectives and/or financial situation.

The Registrant may also conduct account reviews on an other-than-quarterly basis upon the occurrence of a triggering event, such as changes in the tax laws, new investment information, and changes in a client's own situation.

Clients receive written account statements no less than quarterly for managed accounts. Account statements are issued by client custodians. Clients receive confirmations of each transaction in their accounts from the custodians. Performance reports will be provided by the Registrant upon request to clients with assets under management, exclusive of assets held away from the custodial account.

#### **CLIENT REFERRALS AND OTHER COMPENSATION**

Clients should review Item 12.A.1 of the Registrant's Form ADV Part 2A for a discussion on the economic benefits that Registrant receives from Pershing. The Registrant does not compensate individuals or entities who are not Registrant's supervised persons for prospective client introductions. Please Also See disclosure at Item 9.B above for information about parties that the Registrant may refer clients to and additional compensation that the Registrant may receive from these parties.

#### **FINANCIAL INFORMATION**

The Registrant does not solicit fees of more than \$1,200, per client, six months or more in advance. The Registrant is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts. The Registrant has not been the subject of a bankruptcy petition.

The Registrant's Principal and Chief Compliance Officer, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.