

*The financial advisors of OTFS are also registered  
representatives with securities offered through LPL Financial, member FINRA/SIPC.*

**Item 1 Cover Page**

Registered As: GPS Planning Solutions, LLC



Doing Business As: OTFS

Registered Investment Adviser  
120 Holmes Ave., Suite 305 | Huntsville, Alabama 35801  
(256) 704-9400 – phone  
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[www.oaktreefinancialservices.com](http://www.oaktreefinancialservices.com)

October 2023

**NOTICE TO PROSPECTIVE CLIENTS: READ THIS DISCLOSURE BROCHURE IN ITS ENTIRETY**

All the material within this Brochure must be reviewed by those who are considering becoming a client of our firm. This Brochure provides information about the qualifications and business practices of OTFS (“OTFS”). If you have any questions about the contents of this Brochure, please contact us at (256) 704-9400. In accordance with federal and state regulations, this Brochure is on file with the appropriate securities regulatory authorities as required. The information provided within this Brochure is not to be construed as an endorsement or recommendation by state securities authorities in any jurisdiction within the United States, or by the United States Securities and Exchange Commission. 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. Registration of a registered investment adviser does not imply any level of skill or training. Additional information about OTFS is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

This Item number will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our Brochure. We will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes as necessary. We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Since our annual amendment filing dated March 2023, OTFS has the following material changes:

Item 1 – The firm's primary office location has been moved to 120 Holmes Ave., Suite 305, Huntsville, AL 35801. See Cover Page.

Item 4 – Ron Moody is the Chief Compliance Officer as of September 28, 2023.

Item 15 – We disclosed that OTFS is deemed to have custody of client funds and securities when OTFS has standing authority (also known as a standing letter of authorization or "SLOA") to move money from a client's account to a pre-determined third-party account.

Currently, our Disclosure Brochure may be requested by contacting us at (256) 704-9400 or at [ron.moody@lpl.com](mailto:ron.moody@lpl.com).

Additional information about OTFS is also available via the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's website also provides information about any persons affiliated with OTFS who are registered, or are required to be registered, as investment adviser representatives of OTFS.

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#### **Item 4 – Advisory Business**

OTFS has been a state registered investment adviser registered since 2015. Prior to registering as an independent investment adviser, OTFS was a boutique financial service organization founded in 2009 offering advisory services and securities through LPL Financial, an SEC registered investment adviser and FINRA/SIPC member broker/dealer. Investment advisor representatives of OTFS remain registered representatives of LPL Financial in order to continue to conduct securities business.

OTFS filed its initial application to become registered as an investment adviser with the U.S. Securities Exchange Commission in February 2022, which was accepted on March 31, 2022.

OTFS provides fee-based investment advisory services for compensation primarily to individual clients and high-net worth individuals based on the individual goals, objectives, time horizon, and risk tolerance of each client. Portfolio management services include, but are not limited to, the following:

- Investment Strategy
- Asset Allocation
- Risk Tolerance
- Personal investment policy
- Asset Selection
- Regular Portfolio Monitoring

Advisor representatives are restricted to providing services and charging fees based in accordance with the descriptions detailed in this document and the account agreement. However, the exact service and fees charged to a particular client are dependent upon the representative that is working with the client. Advisors are instructed to consider the individual needs of each client when recommending an advisory platform. Investment strategies and recommendations are tailored to the individual needs of each client.

The investment adviser representatives associated with OTFS are appropriately licensed, and authorized to provide advisory services on behalf of OTFS. Investment Adviser Representatives associated with OTFS may also be registered representatives of LPL Financial, an SEC registered broker/dealer, a member of the Financial Regulatory Authority ("FINRA") and the Securities Investors Protection Corporation ("SIPC"). Any securities transactions shall be directed to LPL Financial for execution. OTFS and LPL Financial are not affiliated legal entities.

#### **Management Team**

Ron Moody is the President, Chief Compliance Officer and 100% owner of OTFS. He has been involved in the financial services industry since 1981. He graduated with a bachelor's degree from the University of Alabama. Ron holds the designations of CERTIFIED FINANCIAL PLANNER™ professional and Chartered Retirement Planning Counselor from the College of Financial Planning and is a member of the Financial Planning Association. He also holds various securities registrations with LPL Financial including Series 63, 65, 7 and 8.

## **Asset Management**

OTFS through its investment advisor representatives, provides ongoing investment advice and management on assets in the client's custodial accounts. Advice may be discretionary or non-discretionary as indicated in the client account agreement. More specific account information and acknowledgements are further detailed on the account application.

Investment advisor representatives provide advice on the purchase and sale of various types of investments, such as mutual funds, exchange-traded funds ("ETFs"), variable annuity subaccounts, real estate investment trusts ("REITs"), equities, and fixed income securities. The advice is tailored to the individual needs of the client based on the investment objective chosen by the client in order to help assist clients in attempting to meet their financial goals. Accounts are reviewed on a regular basis and rebalanced as necessary according to each client's investment profile.

If the appropriate disclosure statement was not delivered to the client at least 48 hours prior to the client entering into any written or oral advisory contract with this investment adviser, then the client has the right to terminate the contract without penalty within five business days after entering into the contract. For the purposes of this provision, a contract is considered entered into when all parties to the contract have signed the contract, or, in the case of an oral contract, otherwise signified their acceptance, any other provisions of this contract notwithstanding.

## **Strategic Wealth Management (SWM)**

Strategic Wealth Management (SWM) is a comprehensive, open-architecture, fee-based investment platform created by LPL Financial to allow independent investment advisers such as OTFS offer clients customized advice and exceptional service. The platform provides a foundation to develop long-term financial goals and provide potential solutions. With this platform, multiple investments can be wrapped into one account with one consolidated statement. OTFS has the fiduciary responsibility on the account.

A minimum account value of \$100,000 is generally required for SWM.

## **Optimum Market Portfolios Program (OMP)**

OMP offers clients the ability to participate in a professionally managed asset allocation program using Optimum Funds Class I shares. Under OMP, client will authorize LPL on a discretionary basis to purchase and sell Optimum Funds pursuant to investment objectives chosen by the client. Advisor will assist the client in determining the suitability of OMP for the client and assist the client in setting an appropriate investment objective. Advisor will have discretion to select a mutual fund asset allocation portfolio designed by LPL consistent with the client's investment objective. LPL will have discretion to purchase and sell Optimum Funds pursuant to the portfolio selected for the client. LPL will also have authority to rebalance the account.

A minimum account value of \$10,000 is required for OMP.

## **Personal Wealth Portfolios Program (PWP)**

PWP offers clients an asset management account using asset allocation model portfolios designed by LPL. Advisor will have discretion for selecting the asset allocation model portfolio based on client's investment objective. Advisor will also have discretion for selecting third party money managers (PWP Advisors) or mutual funds within each asset class of the model portfolio. LPL will act as the overlay portfolio manager on all PWP accounts and will be authorized to purchase and sell on a discretionary basis mutual funds and equity and fixed income securities.

A minimum account value of \$250,000 is required for PWP.

## **Managed Wealth Portfolios Program (MWP)**

MWP offers clients a professionally managed mutual fund asset allocation program. OTFS investment advisor representatives will obtain the necessary financial data from the client, assist the client in determining the suitability of the MWP program and assist the client in setting an appropriate investment objective. The Advisor will initiate the steps necessary to open an MWP account and have discretion to select a model portfolio designed by LPL's Research Department consistent with the client's stated investment objective. LPL's Research Department is responsible for selecting the mutual funds within a model portfolio and for making changes to the mutual funds selected.

The client will authorize LPL to act on a discretionary basis to purchase and sell mutual funds (including in certain circumstances exchange traded funds) and to liquidate previously purchased securities. The client will also authorize LPL to effect rebalancing for MWP accounts.

In the future, the MWP program may make available model portfolios designed by strategists other than LPL's Research Department. If such models are made available, Advisor will have discretion to choose among the available models designed by LPL and outside strategists.

A minimum account value of \$10,000 is required for MWP.

## **Guided Wealth Portfolios (GWP)**

GWP offers clients the ability to participate in a centrally managed, algorithm-based investment program, which is made available to users and clients through a web-based, interactive account management portal ("Investor Portal"). Investment recommendations to buy and sell open-end mutual funds and exchange-traded funds are generated through proprietary, automated, computer algorithms (collectively, the "Algorithm") of Xulu, Inc., doing business as FutureAdvisor ("FutureAdvisor"), based upon model portfolios constructed by LPL and selected for the account as described below (such model portfolio selected for the account, the "Model Portfolio"). Communications concerning GWP are intended to occur primarily through electronic means (including but not limited to, through email communications or through the Investor Portal), although [Advisor] will be available to discuss investment strategies, objectives or the account in general in person or via telephone.

A preview of the Program (the “Educational Tool”) is provided for a period of up to forty-five (45) days to help users determine whether they would like to become advisory clients and receive ongoing financial advice from LPL, FutureAdvisor and OTFS by enrolling in the advisory service (the “Managed Service”). The Educational Tool and Managed Service are described in more detail in the GWP Program Brochure. Users of the Educational Tool are not considered to be advisory clients of LPL, FutureAdvisor or OTFS, do not enter into an advisory agreement with LPL, FutureAdvisor or OTFS, do not receive ongoing investment advice or supervisions of their assets, and do not receive any trading services.

A minimum account value of \$5,000 is required to enroll in the Managed Service.

### **Manager Access Select Program**

Manager Access Select is a separate account platform available through LPL Financial that offers high-net-worth investors the ability to access a variety of institutional portfolio managers at significantly lower account minimums. This enables clients to enjoy a higher level of specialization and service through the ownership of individual securities. Advisors can choose from a broad range of Portfolio Managers and multiple investment styles including equity, fixed income, balanced, international, ETF, REIT and socially responsible portfolios.

Manager Access Select is specifically designed for Advisors who have their own advisory firm. The platform compensates Advisors through an annual advisor fee based on each account’s value. For this fee, Advisors provide investment advisory services to their clients such as asset allocation, Portfolio Manager recommendations, quarterly account reviews and consolidated reporting.

Financial advisors can set the annual advisor fee for each individual client who has a Manager Access Select account. The following costs are included in the total Account Fee paid by clients and should be considered:

- Advisor Fee
- LPL Financial Fee
- Portfolio Manager(s) Fee

LPL Financial is registered with the Securities and Exchange Commission, and has filed a notice filing in all states, the District of Columbia and the Virgin Islands.

A minimum account value of \$100,000 is required for Manager Access Select, however, in certain instances, the minimum account size may be lower or higher.

The account fee charged to the client for each advisory program is negotiable, subject to the following maximum account fees:

**Advisory Program**

**Annual Maximum Percentage of Assets Charge**

Asset Management	2.0%
OMP	2.0%
PWP	2.0%
MWP	2.0%
Manager Access Select	2.0%
Guided Wealth Portfolio	1.3%

Account fees are negotiable and payable quarterly in advance.

LPL serves as program sponsor, investment advisor and broker-dealer for the LPL advisory programs. OTFS and LPL may share in the account fee and other fees associated with program accounts. Associated persons of Advisor may also be registered representatives of LPL.

The purchase of a securities and/or insurance commission product presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend investment products based on commissions received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from investment advisor representative of the firm. Clients may purchase investment products recommended by investment advisory representatives through other, non-affiliated broker/dealers or insurance agents. Transactions in advisory program accounts are generally effected through LPL as the executing broker-dealer.

Advisor receives compensation as a result of a client's participation in an LPL program. Depending on, among other things, the size of the account, changes in its value over time, the ability to negotiate fees or commissions, and the number of transactions, the amount of this compensation may be more or less than what the Advisor would receive if the client participated in other programs, whether through LPL or another sponsor, or paid separately for investment advice, brokerage and other services.

Neither the firm nor any investment advisor representative are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.

**Participation in Wrap Fee Program**

OTFS is the sponsor of the OTFS Asset Management Program ("OTFSAM"), a wrap fee asset management program developed through an arrangement using LPL Financial Corporation's ("LPL") Strategic Wealth Management platform. Through OTFSAM, we provide investment management services, including providing continuous investment advice to and making investments for you based on your individual needs. Through this service, we offer a customized and individualized investment program. A specific asset allocation strategy and suitability profile is crafted to focus on your specific goals and objectives. The IPS defines your risk tolerance and investment objective.



OTFSAM accounts are custodied at LPL in its capacity as a registered broker/dealer, member FINRA/SIPC. LPL is also an investment advisor registered with the SEC but does not serve as an investment advisor for you through the OTFSAM Program. LPL provides clearing, custody and other brokerage services for accounts established through the OTFSAM Program. Therefore, you are required to establish a brokerage account(s) through LPL's Strategic Wealth Management platform. Separate accounts are maintained for you, and you retain all rights of ownership of your accounts (e. g., the right to withdraw securities or cash, exercise or delegate proxy voting, and receive transaction confirmations).

OTFSAM accounts allow you to authorize us to purchase and sell, on a discretionary basis, portfolios consisting of securities and investments. We may limit our discretion with respect to your account and the securities eligible to be purchased for your account. *Refer to the OTFSAM Wrap Fee Program Brochure for additional information.*

### **Financial Planning Services**

As part of our financial planning services, OTFS, through its investment advisor representatives, may provide personal financial planning tailored to the individual needs of the client. A particular client's financial plan will include the relevant types of planning specific to their needs and objectives such as:

- **Retirement** – planning an investment strategy with the objective of providing inflation-adjusted income for life (IRA Rollovers, IRA Strategies, ROTH Conversions as well as Plan establishment and management).
- **Education Funding** – planning to pay the future college / education expenses of a child or grandchild.
- **Insurance Needs** – planning for the financial needs of survivors to satisfy such financial obligations as housing, dependent childcare and spousal arrangements as well as education.
- **Wealth Transfer Strategies** – planning that focuses on the most efficient and tax friendly option to pass on an estate to a spouse, other family members or a charity.
- **Wealth Management Planning** – planning to build wealth within a portfolio that takes into consideration risk tolerance and time horizon.
- **Investment Planning** – planning an investment strategy consistent with particular objectives, time horizons and risk tolerances.

The services take into account information collected from the client such as financial status, investment objectives and tax status, among other data. Fees for such services are negotiable and detailed in the client agreement.

Financial plans are based on your financial situation at the time we present the plan to you, and on the financial information you provide to our firm. You should also be aware that our financial plans may contain certain assumptions with respect to interest and inflation rates, along with past trends and performance of the market and economy. Past performance is in no way an indication of future performance. You must promptly notify our firm if your financial situation, goals, objectives, or needs change.

The financial plan may include generic recommendations as to general types of investment products or specific securities which may be appropriate for the Client to purchase given his/her financial situation and objectives. The Client is under no obligation to act upon the investment adviser's recommendation or purchase such securities through OTFS and the Investment Adviser Representative (IAR). However, if the Client desires to purchase securities or advisory services in order to implement his/her financial plan, OTFS may make a variety of products and services available through its IARs. This may result in the payment of normal and customary commissions, advisory fees or other types of compensation to OTFS and the IAR.

A conflict exists between the interests of the investment adviser and the interests of the client. Depending on the type of account that could be used to implement a financial plan, such compensation can include (but is not limited to) advisory fees, advisory program wrap fees; commissions; mark-ups and mark-downs; transaction charges; confirmation charges; small account fees; ; mutual fund sub-transfer agency fees; hedge fund, managed futures, and variable annuity investor servicing fees; retirement plan fees; fees in connection with an insured deposit account program; marketing support payments from mutual fund, annuity and insurance sponsors; administrative servicing fees for trust accounts; referral fees; compensation for directing order flow; and bonuses, awards or other things of value offered by OTFS to the IAR. To the extent that IAR recommends that Client invest in products and services that will result in compensation being paid to OTFS and the IAR, this presents a conflict of interest. This compensation to IAR and OTFS may be more or less depending on the product or service that IAR recommends. Therefore, the IAR has a financial incentive to recommend that a financial plan be implemented using a certain product or service over another product or service.

The IAR may receive additional cash or non-cash compensation from advisory product sponsors. Such compensation may not be tied to the sales of any products. Compensation can include such items as gifts valued at less than \$100 annually, an occasional dinner or ticket to a sporting event, or reimbursement in connection with educational meetings or marketing or advertising initiatives.

- A conflict exists between the interests of the investment adviser and the interests of the client,
- The client is under no obligation to act upon the investment adviser's recommendation; and,

- If the client elects to act on any of the recommendations, the client is under no obligation to effect the transaction through the investment adviser.

### **Retirement Plan Rollover Recommendations**

When OTFS provides investment advice about your retirement plan account or individual retirement account (“IRA”) including whether to maintain investments and/or proceeds in the retirement plan account, roll over such investment/proceeds from the retirement plan account to a IRA or make a distribution from the retirement plan account, we acknowledge that OTFS is a **“fiduciary”** within the meaning of Title I of the Employee Retirement Income Security Act (“ERISA”) and/or the Internal Revenue Code (“IRC”) as applicable, which are laws governing retirement accounts. The way OTFS makes money creates conflicts with your interests so OTFS operates under a special rule that requires OTFS to act in your best interest and not put our interest ahead of you.

Under this special rule’s provisions, OTFS must act as a fiduciary to a retirement plan account or IRA under ERISA/IRC:

- Meet a professional standard of care when making investment recommendations (e.g., give prudent advice);
- Never put the financial interests of OTFS ahead of you when making recommendations (e.g., give loyal advice);
- Avoid misleading statements about conflicts of interest, fees, and investments;
- Follow policies and procedures designed to ensure that OTFS gives advice that is in your best interest;
- Charge no more than is reasonable for the services of OTFS; and
- Give Client basic information about conflicts of interest.

To the extent we recommend you roll over your account from a current retirement plan account to an individual retirement account managed by OTFS, please know that OTFS and our investment adviser representatives have a conflict of interest.

We can earn increased investment advisory fees by recommending that you roll over your account at the retirement plan to an IRA managed by OTFS. We will earn fewer investment advisory fees if you do not roll over the funds in the retirement plan to an IRA managed by OTFS.

Thus, our investment adviser representatives have an economic incentive to recommend a rollover of funds from a retirement plan to an IRA which is a conflict of interest because our recommendation that you open an IRA account to be managed by our firm can be based on our

economic incentive and not based exclusively on whether or not moving the IRA to our management program is in your overall best interest.

We have taken steps to manage this conflict of interest. We have adopted an impartial conduct standard whereby our investment adviser representatives will (i) provide investment advice to a retirement plan participant regarding a rollover of funds from the retirement plan in accordance with the fiduciary status described below, (ii) not recommend investments which result in OTFS receiving unreasonable compensation related to the rollover of funds from the retirement plan to an IRA, and (iii) fully disclose compensation received by OTFS and our supervised persons and any material conflicts of interest related to recommending the rollover of funds from the retirement plan to an IRA and refrain from making any materially misleading statements regarding such rollover.

When providing advice to you regarding a retirement plan account or IRA, our investment advisor representatives will act with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, based on the investment objectives, risk, tolerance, financial circumstances, and a client's needs, without regard to the financial or other interests of OTFS or our affiliated personnel.

### **Hourly Consulting Services**

OTFS through its investment advisor representatives, may provide consulting services including, as selected by the client in the consulting agreement, advice regarding tax planning, investment planning, retirement planning, estate planning, cash flow/budget planning, business planning, education planning, and personal financial planning. The services take into account information collected from the client such as financial status, investment objectives and tax status, among other data. The investment advisor representatives may or may not deliver to the client a written analysis or report as part of the services. The investment advisor representatives tailor the hourly consulting services to the individual needs of the client based on the investment objective chosen by the client. The engagement terminates upon final consultation with the client. Fees for such services are negotiable and detailed in the client agreement.

OTFS offers asset management on a discretionary and non-discretionary basis. As of December 31, 2022, the firm had \$111,915,798 in discretionary assets under management and \$0 in non-discretionary assets under management.

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

#### **Asset Management**

The specific manner in which fees are charged by the firm is established in a client's written agreement between the client and OTFS—up to 2.0% of assets under management. Clients can determine to engage the services of OTFS on a discretionary or non-discretionary basis. The

firm's annual investment advisory fee shall be based upon a percentage (%) of the market value and type of assets placed under the firm's management to be charged quarterly in advance.

**Option 1:**

Client will pay an annual advisory fee of 2.0% for services outlined in the advisory agreement.

**Option 2:**

Client will pay a negotiated annual advisory fee up to 2% (billed quarterly) based on the following fee schedule(s) for services outlined in the advisory agreement.

Assets under Management	Annual Fee %
Less than \$1,000,000	2.0%
\$1,000,000 - \$5,000,000	1.5%
\$5,000,000 +	1.0%

Services are not to be considered superior to other investment advisors services and the client may receive comparable services cheaper from other investment advisors.

Clients are made aware of the following:

- Your independent custodian sends statements at least quarterly to you showing the market values for each security included in the Assets and all disbursements in your account including the amount of the advisory fees paid to us;
- You provide authorization permitting OTFS to be directly paid by these terms.

In cases where LPL is the custodian, LPL is responsible for calculating and deducting advisory fees from client accounts held at LPL. Client will provide LPL with written authorization to deduct fees and pay the advisory fees to the OTFS firm. The advisory fee is paid directly by LPL to the OTFS firm (not the individual). The OTFS firm will then share the advisory fee with its advisors/associated persons.

If the advisory agreement is terminated before the end of the quarterly period, client is entitled to a pro-rated refund of any pre-paid quarterly advisory fee based on the number of days remaining in the quarter after the termination date.

**LPL Financial Sponsored Advisory Programs:**

The account fee charged to the client for each advisory program is negotiable, subject to a maximum of 2.0%.

Account fees are payable quarterly in advance if processed by LPL Financial. If a custom billing option is elected, fees may be paid in advance or in arrears as agreed. Clients may terminate the agreement without penalty for a full refund of OTFS' fees within five business days of signing the Investment Advisory Contract. Thereafter, clients may terminate the

Investment Advisory Contract generally with 30 days' written notice.

Fees for customized and participant advisory services are typically based on the value of assets under management and will vary by engagement. The amount of the fee will be set out in the client agreement executed by the client at the time the relationship is established. The advisory fee is negotiable between the investment advisor representative and the client and is payable in advance as described in the client agreement.

### **Financial Planning Services**

We charge on an hourly or flat fee basis for financial planning 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. Financial Planning fees generally range from \$75 to \$5,000. Depending on the complexity of a plan, fees may exceed \$5,000.

### **Hourly Consulting Services**

We charge on an hourly or flat fee basis for 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 hourly fees range from \$75 - \$250. Flat fees generally range from \$100 to \$5,000. Depending on the complexity of a plan fees may exceed \$5,000.

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

Clients may incur transaction charges for trades executed in their accounts, depending on the investment platform chosen. These transaction fees are separate from our fees and will be disclosed by the firm that the trades are executed through. Also, clients will pay the following separately incurred expenses, which we do not receive any part of: charges imposed directly by a mutual fund, index fund, or exchange traded fund which shall be disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses).

### **Termination & Refunds**

A custom program account may be terminated according to the client agreement. If the client agreement provides for payment in advance, the agreement will state how the client can obtain a refund of any pre-paid fee if the agreement is terminated before the end of the billing period.

### **Commissionable Securities Sales**

LPL Financial charges brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). LPL enables us to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. LPL Financial commission rates are generally discounted from customary retail commission rates. However, the commission and transaction fees charged by LPL Financial may be higher or lower than those charged by other custodians and

broker/dealers. Clients may direct their brokerage transactions at a firm other than LPL Financial. Advisory fees are generally not reduced to offset commissions or markups.

When dealing with investment advisory clients and services, investment adviser representatives have an affirmative duty of care, loyalty, honesty and good faith to act in the best interests of its clients. Investment adviser representatives should fully disclose all material facts concerning any conflict that does arise with these clients and should avoid even the appearance of a conflict of interest.

Please note, clients may purchase investment products recommended by our firm through other, non-affiliated broker dealers or agents.

When the firm's representatives sell an investment product on a commission basis, the firm does not charge an advisory fee in addition to the commissions paid by the client for such product. When providing services on an advisory fee basis, OTFS representatives do not also receive commission compensation for such advisory services. However, a client may engage the firm to provide investment management services for an advisory fee and also purchase an investment product from the firm's representatives on a separate commission basis.

In certain cases, LPL will serve as the broker/dealer on transactions in a customized advisory account. In such case, LPL may charge the client transaction charges in connection with trade execution through LPL. The transaction charges will be clearly stated in the client agreement executed by the client at the time the relationship is established.

If the custom advisory services apply to variable annuities for which the investment advisor representative receives trail compensation, such trail fees generally will be used to offset the advisory fee. In most cases, however, a third-party broker dealer will provide trade execution. In such case, the broker-dealer may charge clients commissions, markups, markdowns and/or transaction charges.

Advisor receives compensation as a result of a client's participation in an LPL program. Depending on, among other things, the size of the account, changes in its value over time, the ability to negotiate fees or commissions, and the number of transactions, the amount of this compensation may be more or less than what the Advisor would receive if the client participated in other programs, whether through LPL or another sponsor, or paid separately for investment advice, brokerage and other services.

LPL serves as program sponsor, investment advisor and broker/dealer for the LPL advisory programs. OTFS and LPL may share in the account fee and other fees associated with program accounts. Associated persons of Advisor are also registered representatives of LPL. Lower fees for comparable services may be available from other sources.

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

Performance-based fees are fees that are based on a share of capital gains or capital appreciation



of a client's account.

Neither the firm or any supervised persons accepts performance-based fees, fees based on a share of capital gains on or capital appreciation of the assets of a client such as a hedge fund or other pooled investment vehicle.

### **Item 7 – Types of Clients**

The advisory services offered by OTFS are available for individuals, individual retirement accounts (“IRAs”), banks and thrift institutions, pension and profit-sharing plans, including plans subject to Employee Retirement Income Security Act of 1974 (“ERISA”), trusts, estates, charitable organizations, state and municipal government entities, corporations and other business entities. However, the firm primarily provides investment advice to individuals and high net worth individuals.

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

We emphasize continuous and regular account supervision. As part of our asset management service, we generally create a portfolio, consisting of individual stocks or bonds, exchange traded funds (“ETFs”), options, mutual funds and other public and private securities or investments. The client’s individual investment strategy is tailored to their specific needs and may include some or all of the previously mentioned securities. Each portfolio will be initially designed to meet a particular investment goal, which we determine to be suitable to the client’s circumstances. Once the appropriate portfolio has been determined, it is subject to review and if necessary, rebalanced based upon the client’s individual needs, stated goals and objectives. Each client has the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio.

The firm uses a combination of multiple forms of analysis in order to formulate investment advice when managing assets. Depending on the analysis the firm will implement a long or short- term trading strategy based on the particular objectives and risk tolerance of a particular client.

- **Fundamental Analysis** involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages. Fundamental analysis concentrates on factors that determine a company’s value and expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.
- **Technical Analysis** involves the analysis of past market data; primarily price and volume. Technical analysis attempts to predict a future stock price or direction based on market trends. The assumption is that the market follows discernible patterns and if these patterns can be identified then a prediction can be made. The risk is that markets do not



always follow patterns and relying solely on this method may not take into account new patterns that emerge over time.

- **Cyclical Analysis** involves the analysis of business cycles to find favorable conditions for buying and/or selling a security. Cyclical analysis assumes that the markets react in cyclical patterns which, once identified, can be leveraged to provide performance. The risks with this strategy are two-fold: 1) the markets do not always repeat cyclical patterns; and 2) if too many investors begin to implement this strategy, then it changes the very cycles these investors are trying to exploit.
- **Charting Analysis** involves the gathering and processing of price and volume information for a particular security. This price and volume information is analyzed using mathematical equations. The resulting data is then applied to graphing charts, which is used to predict future price movements based on price patterns and trends.
- **Long-Term Purchases** are securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.
- **Short-Term Purchases** are securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.
- **Options Trading/Writing** is a securities transaction that involves buying or selling (writing) an option. If you write an option and the buyer exercises the option, you are obligated to purchase or deliver a specified number of shares at a specified price at the expiration of the option regardless of the market value of the security at expiration of the option. Buying an option gives you the right to purchase or sell a specified number of shares at a specified price until the date of expiration of the option regardless of the market value of the security at expiration of the option. Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio.

Please note, investing in securities involves risk of loss that clients should be prepared to bear. There are different types of investments that involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy will be profitable or equal any specific performance level(s). Past performance is not indicative of future results.

Even hedging strategies may fail if markets move against the hedged investments. In addition, investing carries with it opportunity risk it is impossible to accurately predict the sectors of the market or asset classes that will have more favorable returns for a given period.

The firms' methods of analysis and investment strategies do not represent any significant or unusual risks however all strategies have inherent risks and performance limitations such as:

- **Market Risk** - the risk that the value of securities may go up or down, sometimes rapidly or unpredictably, due to factors affecting securities markets generally or particular industries.
- **Interest Rate Risk** - the risk that fixed income securities will decline in value because of an increase in interest rates; a bond or a fixed income fund with a longer duration will be more sensitive to changes in interest rates than a bond or bond fund with a shorter duration.
- **Credit Risk** - the risk that an investor could lose money if the issuer or guarantor of a fixed income security is unable or unwilling to meet its financial obligations.
- **Mutual Funds** - Investing in mutual funds carries the risk of capital loss and thus you may lose money investing in mutual funds. All mutual funds have costs that lower investment returns. The funds can be of bond "fixed income" nature (lower risk) or stock "equity" nature (mentioned below).
- **Equity** - investment generally refers to buying shares of stocks in return for receiving a future payment of dividends and/or capital gains if the value of the stock increases. The value of equity securities may fluctuate in response to specific situations for each company, industry conditions and the general economic environments.
- **Fixed income** - investments generally pay a return on a fixed schedule, though the amount of the payments can vary. This type of investment can include corporate and government debt securities, leveraged loans, high yield, and investment grade debt and structured products, such as mortgage and other asset-backed securities, although individual bonds may be the best-known type of fixed income security. In general, the fixed income market is volatile and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed income securities also carry inflation risk, liquidity risk, call risk, and credit and default risks for both issuers and counterparties. The risk of default on treasury inflation protected/inflation linked bonds is dependent upon the U.S. Treasury defaulting (extremely unlikely); however, they carry a risk of losing share price value, albeit rather minimal. Risks of investing in foreign fixed income securities also include the general risk of non-U.S. investing described below.
- **Exchange Traded Funds (ETFs)** - An ETF is an investment fund traded on stock exchanges, similar to stocks. Investing in ETFs carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy). Areas of concern include the lack of transparency in products and increasing complexity, conflicts of interest and the possibility of inadequate regulatory compliance. Precious Metal ETFs (e.g., Gold, Silver, or Palladium Bullion backed "electronic shares" not physical metal) specifically may be negatively impacted by several unique factors, among them (1) large sales by the official sector which own a significant portion of aggregate world holdings in gold and other precious metals, (2)

a significant increase in hedging activities by producers of gold or other precious metals, (3) a significant change in the attitude of speculators and investors.

- **Annuities** - are a retirement product for those who may have the ability to pay a premium now and want to guarantee they receive certain monthly payments or a return on investment later in the future. Annuities are contracts issued by a life insurance company designed to meet requirement or other long-term goals. An annuity is not a life insurance policy. Variable annuities are designed to be long-term investments, to meet retirement and other long-range goals. Variable annuities are not suitable for meeting short-term goals because substantial taxes and insurance company charges may apply if you withdraw your money early. Variable annuities also involve investment risks, just as mutual funds do. Variable annuities typically offer:

- Regular stream of income or a lump sum payout at a future time
- Tax-deferred treatment of earnings
- Death benefits

Clients generally pay sales charges or commissions at the time of purchase or charges may be deferred until the VA is sold. Deferred charges typically vary based on how long the VA is held.

A portion of the annual operating expenses collected from a client may be paid to a salesperson, in addition to other payments classified as trailing sales charges.

- **Non-U.S. securities** - present certain risks such as currency fluctuation, political and economic change, social unrest, changes in government regulation, differences in accounting and the lesser degree of accurate public information available.
- **UIT Securities** - designed for investors who can assume the risks associated with equity or fixed-income investments and may not be appropriate for investors seeking capital preservation or high current income. There is no assurance that UIT securities will meet their objective(s). There may be special risks if a portfolio is concentrated within a specific sector of the market. A UIT may contain a limited number of securities, which may make it more susceptible to price volatility than a portfolio diversified among a greater number of holdings. UITs are not actively managed and do not sell securities in response to ordinary market fluctuations. Instead, securities will not usually be sold until termination, which could mean that the sale price of the trust securities may not be the highest price at which these securities traded during the life of the trust.
- **Structured Notes** - also known as market-linked notes, are generally a pre-packaged investment strategy based on derivatives, such as a single security, a basket of securities, options, indices, commodities, debt issuances and/or foreign currencies, and to a lesser extent, swaps. Structured notes are usually issued by investment banks or affiliates thereof. They have a fixed maturity and have two components: a note and a derivative. The derivative component is often an option. The note provides for periodic interest payments to the investor at a predetermined rate, and the derivative component provides for the payment at

maturity. Some notes use the derivative component as a put option written by the investor that gives the buyer of the put option the right to sell to the investor the security or securities at a predetermined price. Other notes use the derivative component to provide for a call option written by the investor that gives the buyer of the call option the right to buy the security or securities from the investor at a predetermined price. A feature of some structured notes is a "principal guarantee" function, which offers protection of principal if held to maturity. However, these notes are not always Federal Deposit Insurance Corporation insured; they may only be insured by the issuer, and thus have the potential for loss of principal in the case of a liquidity crisis, or other solvency problems with the issuing company. Investing in structured notes involves a number of risks including but not limited to: fluctuations in the price, level or yield of underlying instruments, interest rates, currency values and credit quality; substantial loss of principal; limits on participation in any appreciation of the underlying instrument; limited liquidity; credit risk of the issuer; conflicts of interest; and other events that are difficult to predict.

- ***Hedge Funds and Managed Futures.*** Hedge and managed futures funds are available for purchase in the program by clients meeting certain qualification standards. Investing in these funds involves additional risks including, but not limited to, the risk of investment loss due to the use of leveraging and other speculative investment practices and the lack of liquidity and performance volatility. In addition, these funds are not required to provide periodic pricing or valuation information to investors and may involve complex tax structures and delays in distributing important tax information. Client should be aware that these funds are not liquid as there is no secondary trading market available. At the absolute discretion of the issuer of the fund, there may be certain repurchase offers made from time to time. However, there is no guarantee that client will be able to redeem the fund during the repurchase offer.
- ***Variable Annuities.*** If client purchases a variable annuity that is part of the program, client will receive a prospectus and should rely solely on the disclosure contained in the prospectus with respect to the terms and conditions of the variable annuity. Client should also be aware that certain riders purchased with a variable annuity may limit the investment options and the ability to manage the subaccounts.
- ***Margin Accounts.*** Client should be aware that margin borrowing involves additional risks. Margin borrowing will result in increased gain if the value of the securities in the account go up but will result in increased losses if the value of the securities in the account goes down. The custodian, acting as the client's creditor, will have the authority to liquidate all or part of the account to repay any portion of the margin loan, even if the timing would be disadvantageous to the client. For performance illustration purposes, the margin interest charge will be treated as a withdrawal and will, therefore, not negatively impact the performance figures reflected on the quarterly advisory reports.
- ***Mutual & Exchange Traded Funds.*** The Adviser recommends index and actively managed, mutual and exchange traded funds when designing client portfolios. The Adviser considers index funds based on how closely the funds' characteristics mirror the indices they track.

The Adviser analyzes actively managed funds by comparing funds that target the same market sector and have the same investment style using prospectuses and other sources of information.

The Adviser reviews one or more of the following characteristics prior to recommending funds to clients:

- Rank in Category over various periods
- Return Rating
- Risk Rating
- YTD Return (Outsize swings in comparisons to peers can be a sign of risky practices such as placing large bets on certain sectors of the market.)
- 1 Yr Return
- 3 Yr Return
- 5 Yr Return (Typically over a five-year period, the economy experiences a complete cycle. However, the way in which a manager operates in various economic environments reflects the manager's ability to make adjustments or stay the course.)
- Loads
- Total Expense Ratios
- Assets
- Turnover
- Median Market Capitalization
- Morningstar Rating

The Adviser also takes the manager or management team tenure under consideration to determine who was responsible for generating the performance numbers.

### **Variable Life Insurance**

Variable life insurance is an insurance policy that potentially builds cash value by giving the owner the ability to invest a portion of the premiums into investment sub-accounts. The owner may also have flexibility in making premium payments due to changes in the cash value.

### **Public Equity**

A corporation may issue stock to the general public after registration. Stock represents an ownership interest in a company. The Adviser uses valuation measures and financial information, evaluates the regulatory environment, analyzes products or services that are available or under development and the factors that can impact them to predict the price movement of a company's stock. The Adviser also makes comparisons to the company's peers and to the broader market.

### **Corporate Debt & Municipal Securities**

The Adviser generally analyzes the current yield, yield to maturity, yield to call, call and default risks, and interest coverage. Debt is issued by federal, state and foreign governments and corporations to finance their operations. Debt represents their promise to repay the borrowed

amount with interest according to the terms and conditions of the debt instrument. Debt obligations offer limited participation in the upside of a business. In exchange holders receive interest and a position that is generally senior to equity in a bankruptcy.

## **Investment Strategies**

The Adviser works with each client to design an appropriate investment strategy based on their financial and tax status, risk tolerance and investment objectives. The Adviser usually recommends investment strategies for the long-term but may occasionally recommend short-term investment and hedging strategies. The Adviser generally recommends a target asset mix with periodic rebalancing.

We generally invest client's cash balances in money market funds, FDIC Insured Certificates of Deposit, high-grade commercial paper and/or government backed debt instruments. Ultimately, we try to achieve the highest return on our client's cash balances through relatively low-risk conservative investments. In most cases, at least a partial cash balance will be maintained in a money market account so that our firm may debit advisory fees for our services related to Asset Management as applicable.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of an advisory firm or the integrity of a firm's management.

Any such disciplinary information for the company and the company's investment advisor representatives would be provided herein and publicly accessible by selecting the Investment Advisor Search option at <http://www.adviserinfo.sec.gov>.

There are no legal or disciplinary events to disclose.

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

Investment advisor representatives are also registered representatives of LPL Financial, an unaffiliated SEC registered and FINRA/SIPC member broker/dealer. Clients may choose to engage a registered investment advisor in their capacity as a registered representative of the unaffiliated LPL Financial broker/dealer, to implement investment recommendations on a commission basis.

Representatives of our firm are insurance agents/brokers. They can offer insurance products and receive customary fees as a result of insurance sales. A conflict of interest will arise as these insurance sales create an incentive to recommend products based on the compensation adviser and/or our supervised persons will earn and may not necessarily be in the best interests of the client. Such conflicts of interest are subject to review by the Chief Compliance Officer and subject to LPL Financial surveillance controls.



Brian Moody, an associated person of OTFS, is a licensed CPA. Clients needing assistance with tax preparation and/or account services may be referred to him but are not obligated to use his services. There is no referral agreement between Brian Moody and OTFS and no compensation paid for referrals.

Neither OTFS nor any of the management persons are registered or has a registration pending to register as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

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

OTFS maintains a Code of Ethics, which serves to establish a standard of business conduct for all employees that are based upon fundamental principles of openness, integrity, honesty and trust.

The Code of Ethics includes guidelines regarding personal securities transactions of its employees and investment advisor representatives. The Code of Ethics permits employees and investment advisor representatives or related persons to invest for their own personal accounts in the same or different securities that an investment advisor representative may purchase for clients in program accounts. This presents a conflict of interest because trading by an employee or investment advisor representatives in a personal securities account in the same or different security on or about the same time as trading by a client could disadvantage the client. OTFS addresses this conflict of interest by requiring in its Code of Ethics that employees and investment advisor representatives report certain personal securities transactions and holdings to the Chief Compliance Officer for review.

An investment adviser is considered a fiduciary. 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. We have a fiduciary duty to all clients. 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. We require all of our supervised persons to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. 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. 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. However, if a client or a potential client wishes to review our Code of Ethics in its entirety, a copy will be provided promptly upon request.

It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction being implemented for an advisory account, in order to benefit from transactions placed on behalf of advisory accounts.

Neither OTFS nor a related person recommends to clients, or buys or sells for client accounts,

securities in which the firm or a related person has a material financial interest.

### **Item 12 – Brokerage Practices**

OTFS receives support services and/or products from LPL Financial, many of which may assist OTFS to better monitor and service program accounts maintained on behalf of OTFS' clients. These support services and/or products may be received without cost, at a discount, and/or at a negotiated rate, and may include the following:

- investment-related research
- pricing information and market data
- software and other technology that provide access to client account data
- compliance and/or practice management-related publications
- consulting services
- attendance at conferences, meetings, and other educational and/or social events
- marketing support
- computer hardware and/or software
- other products and services used by Advisor in furtherance of its investment advisory business operations

Support services provided by the Custodians to OTFS are based on the overall relationship between OTFS and the Custodians. It is not the result of soft dollar arrangements or any other express arrangements with the Custodians that involve the execution of client transactions as a condition to the receipt of services. OTFS will continue to receive the services regardless of the volume of client transactions executed with the Custodians. Clients do not pay more for services as a result of this arrangement. There is no corresponding commitment made by the OTFS to the Custodians or any other entity to invest any specific amount or percentage of client assets in any specific securities as a result of the arrangement.

OTFS has an arrangement with the Custodians. The Custodians offer to independent investment advisers non-soft dollar services which include custody of securities, trade execution, clearance and settlement of transactions. We receive some non-soft dollar benefits from the Custodians through our participation in the program.

The Custodians may make certain research and brokerage services available at no additional cost to our firm. These services may be directly from independent research companies, as selected by our firm (within specific parameters). Research products and services provided by the 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 the Custodians to our firm in the performance of our investment decision-making responsibilities.

Although the non-soft dollar investment research products and services that may be obtained by



our firm will generally be used to service all of our clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account.

As a result of receiving the services, OTFS has an incentive to continue to use or expand the use of the Custodian's services. Our firm examined this conflict of interest when we chose to enter into the relationship with the Custodians and we have determined that the relationship is in the best interest of our firm's clients and satisfies our fiduciary obligations, including our duty to seek best execution.

The Custodians charge brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). The Custodians enable us to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. The Custodians commission rates are generally discounted from customary retail commission rates. However, the commission and transaction fees charged by the Custodians may be higher or lower than those charged by other custodians and broker/dealers.

Clients may pay a commission to the Custodians that is higher than another qualified broker dealer might charge to effect the same transaction where we determine in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although we will seek competitive rates, to the benefit of all clients, we may not necessarily obtain the lowest possible commission rates for specific client account transactions.

Neither we nor any of our firm's related persons have 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 effected. We routinely recommend that a client directs us to execute through a specified broker-dealer. After considering each client's situation, our firm may recommend the use of one or more of the broker-dealers identified above. Each client will be required to establish an account with a Custodian. Please note that not all advisers have this requirement.

Clients may direct their brokerage transactions at a firm other than the Custodians. 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. Likewise, client directed brokerage accounts may also result in more favorable prices, depending on each client's individual situation.

### **Item 13 – Review of Accounts**

For those clients to whom OTFS provides investment supervisory services, account reviews are conducted on an ongoing basis by the Chief Compliance Officer. All investment supervisory clients are advised that it remains their responsibility to advise OTFS of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with their investment advisor representative on an annual basis.

The Chief Compliance Officer may also conduct account reviews based on the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and by client request.

Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. OTFS may also provide a written periodic report summarizing account activity and performance.

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

##### **LPL Financial, LLC**

OTFS receives an economic benefit from LPL Financial in reimbursement for marketing related expenses. Please see detailed discussion of the categories of marketing related expenses and conflicts of interest in Item 12 Brokerage Practices.

OTFS and employees can receive additional compensation from product sponsors. However, such compensation may not be tied to the sales of any products. Compensation can include such items as gifts valued at less than \$100 annually, an occasional dinner or ticket to a sporting event, or reimbursement in connection with educational meetings with investment advisor representative, client workshops or events, marketing events or advertising initiatives, including services for identifying prospective clients. Product sponsors will likely also pay for, or reimburse OTFS for the costs associated with, education or training events that may be attended by OTFS employees and investment advisor representatives and for OTFS sponsored conferences and events.

##### **Referral Arrangements**

OTFS has entered into agreements with Promoters (Referring Parties) to refer clients to OTFS. If a referred client enters into an investment advisory agreement with OTFS, a referral fee is paid to the Promoter, which is based upon a percentage of the client advisory fees that are generated. The referral relationship will not result in clients being charged any fees over and above the normal advisory fees charged for the advisory services provided.

When a client is referred to us by a Promoter, the Promoter provides the client with a copy of our Disclosure Brochure. The client also will complete a Disclosure Statement document. If the Promoter is an unaffiliated registered investment adviser firm, then the client will also receive a

copy of the referring party's Form ADV Part 2A Disclosure Brochure.

The referral agreements between OTFS and referring parties are in compliance with state and federal securities rules regarding paid Promoter arrangements.

*Please see Item 5, Fees and Compensation, Item 10, Other Financial Industry Activities and Affiliations and Item 12, Brokerage Practices, for additional discussion concerning other compensation.*

### **Item 15 – Custody**

Custody, as it applies to investment advisors, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment adviser has the ability to access or control client funds or securities, the investment adviser is deemed to have custody and must ensure proper procedures are implemented.

OTFS is deemed to have custody of client funds and securities whenever OTFS is given the authority to have fees deducted directly from client accounts. OTFS is also deemed to have custody of client funds and securities when OTFS has standing authority (also known as a standing letter of authorization or “SLOA”) to move money from a client's account to a pre-determined third-party account. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody.

For accounts in which OTFS is deemed to have custody, we have established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. . All of our clients receive at least quarterly account statements directly from their custodians. Upon opening an account with a qualified custodian on a client's behalf, we promptly notify the client in writing of the qualified custodian's contact information. If OTFS decides to also send account statements to clients, such notice and account statements include a legend that recommends that the client compare the account statements received from the qualified custodian with those received from our firm.

We encourage our clients to raise any questions with us about the custody, safety or security of their assets. The custodians we do business with will send you independent account statements listing your account balance(s), transaction history and any fee debits or other fees taken out of your account.

### **Item 16 - Investment Discretion**

The client can determine to engage the OTFS to provide investment advisory services on a discretionary basis. Prior to the OTFS assuming discretionary authority over a client's account, the client shall be required to execute an Investment Advisory Agreement, naming the OTFS as the client's attorney and agent in fact, granting the OTFS full authority to buy, sell, or otherwise

effect investment transactions involving the assets in the client's name found in the discretionary account.

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

OTFS does not vote client proxies but third-party money managers selected or recommended by our firm may vote proxies for clients. Clients will otherwise receive their proxies or other solicitations directly from their custodian. Clients may contact OTFS at (256) 704 - 9400 to discuss any questions they may have with a particular solicitation.

However, third party money managers selected or recommended by our firm may vote proxies for clients. Therefore, except in the event a third-party money manager votes proxies, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially 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. Therefore (except for proxies that may be voted by a third-party money manager), our firm and/or you shall instruct your qualified custodian to forward to you copies of all proxies and shareholder communications relating to your investment assets.

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

OTFS does not require or solicit prepayment of more than \$1200 in fees per client, six months or more in advance.

There are no financial conditions that are reasonably likely to impair the firm's ability to meet contractual commitments to clients. At no time has OTFS been the subject of a bankruptcy petition.

OTFS is participating in the Paycheck Protection Program ("PPP") loan program through the U.S. Small Business Administration in conjunction with the relief afforded from the CARES Act during the COVID-19 Pandemic.

The PPP loan program is designed to provide a direct financial incentive for a small business to keep its employees on the payroll. In order to receive a PPP loan, the small business must certify that the current economic uncertainty makes this PPP loan request necessary to support its ongoing operations. For additional details about the PPP loan program, please visit <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program> and <https://home.treasury.gov/system/files/136/PPP--Fact-Sheet.pdf>.

In May 2020, OTFS received a PPP loan in the amount of \$46,700. This PPP loan has a 1% fixed interest rate and must be repaid within 2 years (but the initial payments are deferred for the first 6 months). The PPP loan did not require any collateral nor a personal guarantee. The U.S. Small Business Administration will forgive OTFS's repayment of such PPP loan (or a portion of

the PPP loan depending upon the circumstances) if all employees are kept on the payroll for eight weeks and the proceeds are used for payroll expenses, rent, mortgage interest, or utilities.