



Private  
Advisor Group  
Registered Investment Advisor

## Part 2A - Brochure

**Private Advisor Group, LLC**  
**SEC File Number 801-72060**

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This brochure provides information about the qualifications and business practices of Private Advisor Group LLC. If you have any questions about the contents of this brochure, please contact us at (973) 538-7010 or Jim.Hooks@PrivateAdvisorGroup.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Private Advisor Group, LLC also is available on the SEC's website at [www.adviser-info.sec.gov](http://www.adviser-info.sec.gov).

References herein to Private Advisor Group, LLC as a "registered investment adviser" or any reference to being "registered" does not imply a certain level of skill or training.

When a registered investment advisor provides investment advisory services, it is a fiduciary under the Investment Advisers Act of 1940 and has a duty to pursue its clients' best interest and to make full and fair disclosure to its clients of all material facts and conflicts of interest. The purpose of this Part 2A Brochure and individual Part 2B Brochure Supplements is to disclose those material facts and conflicts of interest.



## Item 2 Material Changes

This Part 2A Brochure contains material changes to Private Advisor Group’s disclosure statement that was filed on March 30, 2020 to Item 5 and Item 6 regarding Private Advisor Group agreeing to accept performance fees from certain clients, to Item 4 regarding ownership of the company and participation in certain advisory programs with custodians, and about holding nontradable assets in advisory accounts.

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## Item 4 Advisory Business

A. The Registrant is a limited liability company formed on September 2, 2010 in the State of New Jersey. The Registrant became registered as an investment advisor firm in January 2011. The Registrant is principally owned by PAG Holdings, LLC which is owned by PAG Partnership Holdco, LLC. PAG Partnership Holdco, LLC is principally owned by PAG Legacy Partners, LLC, and by Merchant Wealth Partners. PAG Legacy Partners, LLC is principally owned by Patrick J. Sullivan, John Hyland, RJ Moore, James Perhacs and James D. Sullivan. PAG Holdings, LLC is the Registrant's Managing Member.

### B. ADVISORY SERVICES OFFERED:

When providing investment services, Registrant acts as a fiduciary and has a duty to advise the Client as a prudent person would in accordance with the Client's investment objectives and risk tolerance, and to pursue the Client's best interests.

As discussed below, the Registrant offers to its clients (individuals, business entities, trusts, estates and charitable organizations, etc.) investment advisory services, retirement plan consulting, insurance consulting and, to the extent specifically requested by a client, financial planning and related consulting services.

The Registrant works to provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment advisor representative will discuss with each client, their particular investment objectives and risk tolerances. The Registrant allocates each client's investment assets consistent with their designated investment objectives and risk tolerances. Clients can, at any time, impose restrictions, in writing, on the Registrant's services. Each client is advised that it remains his or her responsibility to promptly notify the Registrant if there is ever any change in his or her financial situation or investment objectives for the purpose of reviewing and revising Registrant's previous recommendations and services. The Registrant and its representatives will maintain channels of communication with clients in order to

be available to discuss clients' investments, investment objectives and risk tolerances. The Registrant participates in advisory programs as portfolio manager, advisor, co- advisor or solicitor depending on the program and depending on the needs or direction of its clients. Clients should discuss with their advisor what roles are appropriate, and what programs are appropriate for their investment objectives and risk tolerances. If the Registrant becomes aware that any activity described in this brochure is no longer permitted under any relevant law, the Registrant will cease engaging in such activity.

As a result of the variety of offerings available, the Registrant can also select other investment advisors for its clients, in particular by advising clients regarding Independent Managers or Third Party Asset Management Programs ("TAMPs") or by referral arrangements.

To the extent the Registrant utilizes an Independent Manager or a Third Party Asset Manager, the Registrant shall provide the Independent Manager or Third Party Asset Manager with each client's particular investment objective and risk tolerance. 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 or Third Party Asset Manager within a reasonable period of time.

### INVESTMENT ADVISORY SERVICES

The client can determine to engage the Registrant to provide discretionary and/or non-discretionary investment advisory services on a wrap or non-wrap fee basis. If a client determines to engage the Registrant on a wrap fee basis the client will pay a fee based on a percentage of the assets being managed for investment management and transaction fees. The services included in a wrap fee agreement will depend upon each client's particular need. If the client determines to engage the Registrant on a non-wrap fee basis the client will select individual services on an unbundled basis, paying for each service separately. Clients have the option to also agree with the Registrant that services will be provided for a fixed or flat fee or an hourly fee.



## 1. NON-WRAP FEE BASIS

The client can determine to engage the Registrant to provide discretionary and/or non-discretionary investment advisory services on a fee basis. The Client can negotiate the annual advisory fee based upon various objective and subjective factors including, but not limited to, the types of assets being managed, the amount of the assets placed under the Registrant's direct management, the amount of the assets placed under the Registrant's advisement (assets that are generally managed directly by the client or by other investment professionals engaged by the client, for which the Registrant provides review/monitoring services, but does not have trading authority), the complexity of the engagement, and the level and scope of the overall investment advisory services to be rendered, and additional assets having been placed with the advisor for management and the likelihood of additional assets being placed with the advisor for management as a result of the advisor having a relationship with an association, organization, group or company. The Registrant's annual investment advisory fee shall be based upon a percentage (%) of the market value and type of assets placed under the Registrant's management to be charged quarterly in advance, and Registrant's representatives at their discretion can negotiate a fee with a maximum of 2.00% (two percent).

Registrant's annual investment advisory fee shall include investment management. Client accounts will be billed by the custodian directly for brokerage commissions and/or transaction fees charged by the custodian. To the extent specifically requested by the client, financial planning and consulting services are provided for an additional fee and the additional services and the charge for those additional services shall be set forth in a separate written agreement with the client. Fees for these services should be paid to the Registrant as stated in the Registrant's standard agreement. The Registrant has

the option to mutually agree with a client to charge that client a flat fee – a specific dollar amount for a particular set of services for a specific period of time or for the duration of the relationship. As part of this alternative fee, the Registrant at times also agrees to charge a client an hourly fee for a particular set of services.

## 2. WRAP FEE ADVISORY PROGRAMS

The Registrant is a wrap program sponsor, and participates in wrap fee programs sponsored by other firms. In a wrap fee account, a client is charged a fee based on a percentage of the assets being managed for investment management.

Transaction fees would be billed to the advisor by the custodian. The current annual advisory fee ranges from negotiable to 2.25%, based upon various objective and subjective factors including, but not limited to, the types of assets being managed, the amount of the assets placed under the Registrant's direct management, the amount of the assets placed under the Registrant's advisement (assets that are generally managed directly by the client or by other investment professionals engaged by the client, for which the Registrant provides review/monitoring services, but does not have trading authority), the complexity of the engagement, and the level and scope of the overall investment advisory services to be rendered, and additional assets having been placed with the advisor for management and the likelihood of additional assets being placed with the advisor for management as a result of the advisor having a relationship with an association, organization, group or company. (See also Fee Differential discussion below.)

The terms and conditions for client participation in the advisory programs are set forth in Registrant's advisory agreements and account paperwork for the advisory programs. All prospective advisory program participants should read both this disclosure brochure and all relevant brochure



supplements, and any documentation from the advisory programs, and ask any corresponding questions that they have, prior to participation in the advisory programs.

As part of the advisory programs, a registered broker-dealer that is a member of FINRA and SIPC will maintain custody of clients' assets and effect trades for their accounts. LPL Financial is the primary custodian, but the Registrant participates in advisory programs sponsored by other broker-dealers that the Registrant uses as qualifying custodians, including:

- a. Charles Schwab & Co., Inc. (CS&Co),
- b. TD Ameritrade,
- c. BNY Mellon/Pershing
- d. Fidelity,
- e. Interactive Brokers,
- f. US Bank, and
- g. the SEI Private Trust Company (SPTC).

The final decision to custody assets with a particular custodian is made by the Registrant's clients, including those accounts under ERISA or IRA rules and regulations, in which case the client is acting as either the plan sponsor or IRA accountholder. Registrant's representatives have significant impact on the decision of which custodian is used. A representative uses at least one custodian, and certain representatives use multiple custodians. When a representative who is dually registered with LPL Financial wishes to use a custodian other than LPL Financial, it requires approval by LPL Financial. It is possible that a client may wish their assets to be held by a custodian that the representative does not have access to, though the Registrant does. In that event, the client could choose to switch representatives in order to access the particular custodian through the Registrant. The Registrant is independently owned and operated and not affiliated with any broker-dealer.

Depending on the advisory program, participation in the advisory programs costs

more or less than purchasing such services separately. Clients should be aware that advisory program fees can be higher or lower than those charged by other sponsors of comparable wrap fee advisory programs.

Compensation and fees earned by the Registrant's representatives are adjusted with the goal of mitigating conflicts of interest.

### 3. FINANCIAL PLANNING AND CONSULTING SERVICES

To the extent requested by a client, the Registrant can provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone fee basis. Registrant's planning and consulting fees are negotiable, but generally range from \$150 to \$400 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s). Prior to engaging the Registrant to provide planning or consulting services, clients are generally required to enter into a Financial Planning and Consulting Agreement with Registrant setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to Registrant commencing services. If requested by the client, Registrant recommends the services of other professionals for implementation purposes, including the Registrant's representatives in their individual capacities as registered representatives of LPL Financial and as licensed insurance agents. (See disclosure at Item 10 C.1 and Item 10 C.2). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. Please Note: If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement,



the client agrees to seek recourse exclusively from and against the engaged professional. Please Also Note: It remains the client's responsibility to promptly notify the Registrant if there is ever any change in his or her or its financial situation or investment objectives for the purpose of reviewing, evaluating or revising Registrant's previous recommendations and services.

#### 4. THIRD PARTY ASSET MANAGEMENT PROGRAMS ("TAMPS")

The Registrant recommends or selects other investment advisors for its clients generally through Third Party Asset Management Programs ("TAMPS"). LPL makes available advisory services and programs of third party investment advisors. Through these TAMPS, the Registrant's representatives provide ongoing investment advice to clients that is tailored to the individual needs of those clients. As part of these TAMP services, the representative typically obtains the necessary financial data from the client, assists the client in determining the suitability of the program, assists the client in setting an appropriate investment objective and risk tolerance and assists the client in opening an account with the TAMP. In addition, depending on the type of program, the representative is available to assist the client to select a model portfolio of securities designed by the TAMP or select a portfolio management firm to provide discretionary asset management services. It is the third party investment advisor (and not Registrant's representative) that has client authority to purchase and sell securities on a discretionary or non-discretionary basis pursuant to investment objective chosen by the client. This authorization will be set out in the TAMP client agreement. The Brochure for the particular TAMP will explain whether clients can impose restrictions on investing in certain securities or types of securities. In particular, the Registrant currently offers advisory services through TAMPS sponsored by, among others: AssetMark, Brinker Capital, BTS Asset Management, Envestnet, Flexible Plan Investments, Orion Portfolio Solutions,

Manning & Napier, Morningstar Managed Portfolios, SEI Investments Management and Symmetry Partners LLC. Clients should refer to the Brochure, client agreement and other account paperwork for each TAMP for more detailed information about the services available under the program.

#### 5. SPECIFIC ADVISORY PROGRAMS

The Registrant participates in advisory programs sponsored by custodians where clients maintain their accounts. Specific details about each program are determined by the program sponsor and are subject to change. Clients should thoroughly review disclosure documents provided about the specific program they are participating in and the following is intended as a partial guide to the programs available.

##### a. LPL Financial Sponsored Advisory Programs

The Registrant provides advisory services to clients through certain programs sponsored by LPL Financial, a registered investment advisor and broker-dealer. Below is a brief description of each LPL Financial advisory program available through the Registrant. For more information regarding these programs, including more information on the advisory services and fees that apply, the types of investments available in the programs and the potential conflicts of interest presented by the programs please see the LPL Financial Part 2A Brochure or the applicable program's Part 2A Brochure and the applicable client agreement.

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

OMP is a professionally managed asset allocation program using Optimum Funds Class I shares. Under OMP, client authorizes LPL Financial on a discretionary basis to purchase and sell Optimum Funds pursuant to investment objectives chosen by the client. The Registrant will assist the





client in determining the suitability of OMP for the client and assist the client in setting an appropriate investment objective. The Registrant will have discretion to select a mutual fund asset allocation portfolio designed by LPL Financial consistent with the client's investment objective. LPL Financial will have discretion to purchase and sell Optimum Funds pursuant to the portfolio selected for the client. LPL Financial will also have authority to rebalance the account. LPL Financial sets a minimum account value for OMP and changing account balances and minimum requirements affect whether this program is appropriate for a particular client and also affects the fee charged.

**ii. Personal Wealth Portfolios Program (PWP)**

PWP offers clients an asset management account using asset allocation model portfolios designed by LPL Financial. The Registrant will have discretion for selecting the asset allocation model portfolio based on client's investment objective. The Registrant will also have discretion for selecting third party money managers (PWP Advisors) or mutual funds within each asset class of the model portfolio. LPL Financial 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. LPL Financial sets a minimum account value for PWP and changing account balances and minimum requirements affects whether this program is appropriate for a particular client and also affects the fee charged.

**iii. Model Wealth Portfolios Program (MWP)**

MWP is a professionally managed mutual fund asset allocation program.

The Registrant 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 Registrant will initiate the steps necessary to open an MWP account and have discretion to select a model portfolio designed by LPL Financial's Research Department consistent with the client's stated investment objective. LPL Financial'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 Financial 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 Financial to effect rebalancing for MWP accounts.

The MWP program also offers model portfolios designed by strategists other than LPL Financial's Research Department. The Registrant can choose among the available models designed by LPL Financial and outside strategists. LPL Financial sets a minimum account value for MWP and changing account balances and minimum requirements affects whether this program is appropriate for a particular client and also affects the fee charged.

**iv. Manager Access Select Program (MAS)**

MAS provides clients access to the investment advisory services of professional portfolio management firms for the individual management of client accounts. The Registrant will assist client in identifying a third-party portfolio manager (Portfolio Manager)



from a list of Portfolio Managers made available by LPL Financial. The Portfolio Manager manages client's assets on a discretionary basis. The Registrant will provide initial and ongoing assistance regarding the Portfolio Manager selection process. LPL Financial and Portfolio Managers set minimum account values for MAS and changing account balances and minimum requirements affects whether this program is appropriate for a particular client and also affects the fee charged.

**v. Guided Wealth Portfolios (GWP)**

GWP provides 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 Financial and selected for the account as described below. 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 the Registrant will be available to discuss investment strategies, objectives or the account in general in person or via telephone.

A preview of the GWP Program (the "Educational Tool") is provided for a period of up to forty-five (45) days to help users learn about the GWP Program and determine whether they would like to become

advisory clients and receive ongoing financial advice from LPL Financial, FutureAdvisor and the Registrant 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 and clients should thoroughly review the GWP Program Brochure. Users of the Educational Tool are not considered to be advisory clients of LPL, FutureAdvisor or the Registrant, do not enter into an advisory agreement with LPL Financial, FutureAdvisor or the Registrant, do not receive ongoing investment advice or supervisions of their assets, and do not receive any trading services.

LPL Financial sets minimum account values for GWP and changing account balances and minimum requirements affects whether this program is appropriate for a particular client and affects the fee charged.

**FEES FOR LPL FINANCIAL ADVISORY PROGRAMS**

The account fee charged to the client for each LPL Financial advisory program is negotiable, and is subject to maximum fees set by LPL Financial. Account fees are payable quarterly in advance.

LPL Financial serves as program sponsor, investment advisor and broker-dealer for the LPL Financial advisory programs. The Registrant and LPL Financial share in the account fee and other fees associated with program accounts. The Master Services Agreement between LPL Financial and the Registrant dated April 1, 2011 as subsequently amended provides that LPL make certain reimbursements to Registrant. The majority of Registrant's representatives are also registered representatives of LPL Financial. These





representatives therefore also receive benefits from LPL Financial such as preferences to attend conferences, stock purchase rights, and other benefits.

#### CONFLICTS OF INTEREST

Transactions in LPL Financial advisory program accounts are generally effected through LPL Financial as the executing broker-dealer. The Registrant and its representatives receive compensation as a result of a client's participation in an LPL Financial 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 can be more or less than what the Registrant would receive if the client participated in other programs, whether through LPL Financial or another sponsor, or paid separately for investment advice, brokerage and other services.

#### b. Fidelity Advisory Programs

The Registrant also provides advisory services with Fidelity as the custodian. Below is a brief description of each advisory program available at Fidelity.

Fidelity Separate Account Network® (SAN) - Fidelity offers a Separate Account Network program ("SAN Program"), a unified platform for managed portfolios. The SAN Program enables the Registrant and its representatives to build separately managed account portfolios from a vast network of managers to meet client needs which will be managed by designated SAN Managers on a discretionary basis. The minimum investment required by each individual SAN Manager must be met. Please refer to the SAN Manager's Part 2A Brochure or comparable disclosure document provided to you by your IAR. This is a

wrap program and the Registrant will deliver to client a copy of their Part 2A, Appendix 1.

Certain managers participating in the SAN program require an additional client advisory agreement with the client in addition to the agreement the client signs with the Registrant. For a complete description of the services offered, the programs, the fees charged and minimum account requirements, please refer to the separate disclosure brochure (such as Part 2A of Form ADV) maintained by the Money Manager as provided by your Financial Advisor.

Clients should carefully review these additional disclosure brochures for important and specific details including, among other things, fees, experience, investment objectives and risk guidelines, and disclosure of the money manager's potential conflicts of interest.

The Registrant and Client together determine which program to engage. Clients will receive confirmations and statements reflecting all transactions in their account. However, in no circumstances shall the Registrant or its representative have the discretionary authority to close the account or withdraw funds or securities, with the exception of the Registrant's advisory fees on a quarterly basis.

Clients should refer to the Brochure, client agreement and other account paperwork for each investment program for more detailed information about the services available under the program.

In addition to the programs available to Registrant's clients, the Registrant at times also refers advisory clients to other investment advisory programs not associated with any of the programs described above. These instances are rare but can occur if the client's needs require an additional strategy. The Registrant's Chief Compliance Officer remains



available to address any questions that a client or prospective has regarding any conflict of interest associated with an investment advisory program.

**c. Schwab Institutional Intelligent Portfolios**

The Registrant provides portfolio management services through Institutional Intelligent Portfolios™, an automated, online investment management platform for use by independent investment advisors and sponsored by Schwab Wealth Investment Advisory, Inc. (the “Schwab IIP Program” and “SWIA,” respectively). Through the Schwab IIP Program, the Registrant offers clients a range of investment strategies the Registrant has constructed and manages, each consisting of a portfolio of exchange traded funds (“ETFs”) and a cash allocation. The client can instruct the Registrant to exclude up to three ETFs from their portfolio. The client’s portfolio is held in an account opened by the client at SWIA’s affiliate, Charles Schwab & Co., Inc. (“CS&Co”). The Registrant is independent of and not owned by, affiliated with, or sponsored or supervised by SWIA, CS&Co or their affiliates (together, “Schwab”). The Schwab IIP Program is described in the Schwab Wealth Investment Advisory, Inc. Institutional Intelligent Portfolios™ Disclosure Brochure (the “Schwab IIP Program Disclosure Brochure”), which is delivered to clients by SWIA during the online enrollment process.

The Registrant, and not Schwab, is the client’s investment advisor and primary point of contact with respect to the Schwab IIP Program. The Registrant is solely responsible, and Schwab is not responsible, for determining the appropriateness of the Schwab IIP Program for the client, choosing a suitable investment strategy and portfolio for the client’s investment needs and goals, and managing that portfolio on an ongoing basis. SWIA’s role is limited to delivering

the Schwab IIP Program Disclosure Brochure to clients and administering the Schwab IIP Program so that it operates as described in the Schwab IIP Program Disclosure Brochure.

The Registrant has contracted with SWIA to provide it with the technology platform and related trading and account management services for the Schwab IIP Program. This platform enables the Registrant to make the Schwab IIP Program available to clients online and includes a system that automates certain key parts of its investment process (the “Schwab System”). The Schwab System includes an online questionnaire that helps the Registrant determine the client’s investment objectives and risk tolerance and select an appropriate investment strategy and portfolio. Clients should note that the Registrant will recommend a portfolio via the Schwab System in response to the client’s answers to the online questionnaire. The client has the option to then indicate an interest in a portfolio that is one level more conservative or more aggressive than the recommended portfolio, but the Registrant then makes the final decision and selects a portfolio based on all the information the Registrant has about the client. The Schwab System also includes an automated investment engine through which the Registrant manages the client’s portfolio on an ongoing basis through automatic rebalancing and tax-loss harvesting (if the client is eligible and elects).

The Registrant does not receive a portion of a wrap fee for its services to clients through the Schwab IIP Program. Clients do not pay fees to SWIA in connection with the Schwab IIP Program, but the Registrant charges clients a fee for its services as described below under Item 5.

**FEES AND COMPENSATION.**

The Registrant’s fees are not set or



supervised by Schwab. Clients do not pay brokerage commissions or any other fees to CS&Co as part of the Schwab IIP Program. Schwab does receive other revenues in connection with the Schwab IIP Program, as described in the Schwab IIP Program Disclosure Brochure.

The Registrant does not pay SWIA fees for its services in the Schwab IIP Program so long as the Registrant maintains \$100 million in client assets in accounts at CS&Co that are not enrolled in the Schwab IIP Program. If the Registrant does not meet this condition, then the Registrant will be liable to pay SWIA an annual fee of 0.10% (10 basis points) on the value of the Registrant's clients' assets in the Schwab IIP Program. This fee arrangement gives the Registrant an incentive to recommend or require that the Registrant's clients with accounts not enrolled in the Schwab IIP Program be maintained with CS&Co.

**d. TD Ameritrade**

The Registrant also participates in the institutional advisor program (the "TD Program") offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. The Registrant receives some benefits from TD Ameritrade through its participation in the TD Program.

**c. Interactive Brokers.**

The Registrant also participates in the managed asset allocation program at Interactive Brokers. The Registrant will obtain the necessary financial data from the client, assist the client in determining the suitability of the program and assist the client in setting an appropriate

investment objective. The Program Team reviews the Account to determine if rebalancing is appropriate based on the assets placed in the Program compared with the asset allocation and asset-class-level models maintained by the chosen Third-Party Manager. Advisor and Client have the option to choose additional screens which will directly impact specific securities, market sectors or other investment factors. The Program Team has discretion over rebalancing. The Program Team's rebalancing workflow and considerations of constraints, taxes and transactions costs can at times cause the Client portfolios to differ from target asset allocation and model holdings.

**e. Sawtooth.**

The Registrant also participates in an investment manager selection and allocation program operated by Sawtooth. The Registrant will obtain the necessary financial data from the client, assist the client in determining the suitability of the program, assist the client in setting an appropriate investment objective, and select the third-party investment managers who may be used in the program. The Sawtooth Team reviews the Account to determine if rebalancing is appropriate both within each investment manager and by re-allocating from one investment manager to another. The investment managers may be charging different fee levels from each other. The Program Team has discretion over rebalancing, and the rebalancing may lead to a higher or lower amount of fees being charged by the investment managers overall, based on their differential fees of the managers and the allocation of investment funds among the various managers.

**6 CO-ADVISORY, REFERRAL AND SOLICITOR SERVICES**

The Registrant and its representatives act as referral agents or solicitors on behalf



of certain third party investment advisors pursuant to a referral or solicitor agreement. Currently, the Registrant's representative provides the referred client a disclosure statement regarding the role of the Registrant and its representative as a referral agent or solicitor, and the client engages the third party investment advisor for advisory services. Please see Item 14 below for more information about these referral services and the related compensation.

#### 7. RETIREMENT PLAN CONSULTING SERVICES

The Registrant's representatives at times assist clients that are trustees of retirement plans or other fiduciaries to retirement plans ("Plans") by providing fee-based consulting and/or advisory services. Representatives perform one or more of the following services, as selected by the client in the client agreement:

- Assistance in the preparation or review of an investment policy statement ("IPS") for the Plan based upon consultation with client to ascertain Plan's investment objectives and constraints.
- Acting as a liaison between the Plan and service providers, product sponsors or vendors.
- Ongoing monitoring of investment managers or investments in relation to the criteria specified in the Plan's IPS or other written guidelines provided by the client to representative.
- Preparation of reports describing the performance of Plan investment manager(s) or investments, as well as comparing the performance to benchmarks.
- Ongoing recommendations, for consideration and selection by client, about specific investments to be held by the Plan or, in the case of a participant-directed defined contribution plan, to be made available as investment options under the Plan.
- Training for the members of the Plan Committee with regard to their service on the Committee, including education and consulting with respect to fiduciary responsibilities.
- Assistance in enrolling Plan participants in the Plan, including conducting an agreed upon number of enrollment meetings. As part of such meetings, representatives generally provide participants with information about the Plan, which includes information on the benefits of Plan participation, the benefits of increasing Plan contributions, the impact of pre-retirement withdrawals on retirement income, the terms of the Plan and the operation of the Plan.
- Assistance with investment education seminars and meetings for Plan participants. These meetings occur on a group or individual basis, and include information about the investment options under the Plan (e.g., investment objectives, risk/return characteristics, and historical performance), investment concepts (e.g., diversification, asset classes, and risk and return), and how to determine investment time horizons and assess risk tolerance. Such meetings do not include specific investment advice about investment options under the Plan as being appropriate for a particular participant.
- Assistance at client's direction in making changes to investment options under the Plan.
- As part of the ongoing investment recommendation service set out above, assistance in identifying investment options in connection with the "broad range" requirement of Section 404(c) of the Employee Retirement Income Security Act of 1974 ("ERISA").
- As part of the ongoing investment recommendation service set out above, assistance in identifying an investment fund product or model portfolio in connection with the definition of a "Qualified Default Investment Alternative"



("QDIA") under ERISA.

- Assistance with the preparation, distribution and evaluation of Request for Proposals, finalist interviews, and conversion support in connection with vendor analysis and service provider support.
- Preparation of comparisons of Plan data (e.g., regarding fees and services and participant enrollment and contributions) to data from the Plan's prior years and/or a benchmark group of similar plans.
- Assistance in identifying the fees and other costs borne by the Plan for, as specified by client, investment management, recordkeeping, participant education, participant communication and/or other services provided with respect to the Plan.
- When engaged by the Plan or the participant to do so, investment advisor representatives meet at times with Plan participants, upon reasonable request, to collect information necessary to identify Plan participants' investment objectives, risk tolerance, time horizon, etc. Advisor will provide recommendations to assist the participant with his/her Plan account. Plan participants retain sole discretion over the investment decisions in their accounts and sole responsibility for implementing investment decisions in their accounts.

If the Plan makes available publicly traded employer stock ("company stock") as an investment option under the Plan, representatives do not provide investment advice regarding company stock and are not responsible for the decision to offer company stock as an investment option. In addition, if participants in the Plan have the option to invest the assets in their accounts through individual brokerage accounts, a mutual fund window, or other similar arrangement, or can obtain participant loans, representatives do not usually provide any individualized advice or recommendations to the participants

regarding these decisions. Furthermore, unless engaged by the Plan or the participant to do so, representatives do not provide individualized investment advice to Plan participants regarding their Plan assets.

If a client elects to engage the Registrant and its representatives to perform ongoing investment monitoring and ongoing investment recommendation services in the client agreement, such services will constitute "investment advice" under Section 3(21)(A) (ii) of ERISA. Therefore, Registrant and its representatives will be deemed a "fiduciary" as such term is defined under Section 3(21) (A) (ii) of ERISA in connection with those services. Clients should understand that to the extent Registrant and its representatives are engaged to perform services other than ongoing investment monitoring and recommendations, those services are not "investment advice" under ERISA and therefore, Registrant and its representatives will not be a "fiduciary" under ERISA with respect to those other services.

If a client elects to engage the Registrant and its representatives to perform discretionary investment management services in the client agreement, such services will be performed as an "investment manager" under Section 3(38) of ERISA. Therefore, Registrant and its representatives will be deemed a "fiduciary" as such term is defined under Section 3(38) of ERISA in connection with those services. Clients should understand that to the extent Registrant and its representatives are engaged to perform services other than ongoing investment management, the Registrant is not acting as an "investment manager" under ERISA and therefore, Registrant and its representatives will not be a "fiduciary" under ERISA with respect to those other services.

## 8. ADDITIONAL INFORMATION

### **a. Non-Investment Consulting/ Implementation Services.**

If requested by the client, the Registrant can provide consulting services regarding





non- investment related matters, such as estate planning, tax planning, insurance, etc.

The Registrant does not serve as an accountant and no portion of the Registrant's services should be construed as same. Certain of Registrant's representatives are accountants, in their individual capacities, separate and apart from the Registrant, and any services or advice rendered in that capacity is not provided by or through the Registrant.

The Registrant does not serve as an attorney at law and no portion of the Registrant's services should be construed as same. Certain of Registrant's representatives are attorneys at law, in their individual capacities, separate and apart from the Registrant, and any services or advice rendered in that capacity is not provided by or through the Registrant.

The Registrant does not sell insurance and no portion of the Registrant's services should be construed as same. Certain of Registrant's representatives are licensed to sell insurance, in their individual capacities, separate and apart from the Registrant, and any such sale of insurance in that capacity is not provided by or through the Registrant. To the extent requested by a client, the Registrant can recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.), including representatives of the Registrant in their separate registered/licensed capacities as discussed below. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant.

**Please Note:** If the client engages any such recommended professional, and a

dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional.

**Please Also Note:** It remains the client's responsibility to promptly notify the Registrant if there is ever any change in his or her or its financial situation or investment objectives for the purpose of reviewing, evaluating or revising Registrant's previous recommendations and services.

**b. Inverse/Enhanced Market Strategies.**

The Registrant utilizes leveraged long and short mutual funds and/ or exchange traded funds 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 strategy will prove profitable or successful. In light of these enhanced risks/rewards, a client can direct the Registrant, in writing, not to employ any or all such strategies for his/ her/their/ its accounts.

**c. Fee Differentials.**

As indicated above, the Registrant prices its services based upon various objective and subjective factors. As a result, Registrant's clients could pay diverse fees based upon the market value of their assets, the complexity of the engagement, and the level and scope of the overall investment advisory and/ or consulting services to be rendered. As a result of these factors, the services





to be provided by the Registrant to any particular client could be available from other advisors at lower fees. All clients and prospective clients should be guided accordingly.

**d. Advisory Program Cost Differentials.**

The Registrant participates in several advisory programs with third-parties (e.g. LPL Financial and other custodians) which charge varying levels of program fees. When a client invests through an advisory program, an investment advisory fee is deducted from the assets placed in that advisory program. The advisory program retains a portion of the program fee, and a portion of the program fee is paid to the Registrant and its representative. The varying levels of program fees provide an incentive or disincentive for the Registrant and its representatives to participate in or to recommend a particular advisory program. The recommendation by a representative that a client select a particular advisory program presents a conflict of interest, as the representative's compensation provides an incentive to recommend a particular advisory program. All clients and prospective clients should be aware of these factors in selecting an advisory program and in negotiating an investment advisory fee.

**e. Calculation of advisory fees includes cash assets.**

The Registrant calculates advisory fees on all assets placed under its management, including cash held in advisory accounts. Clients can consent to asset allocations that include certain amounts being held as cash for short or long-term reasons, or can direct that assets be held in cash based on personal risk tolerance or market conditions. The Registrant will calculate advisory fees based on total assets in advisory accounts, and all clients and prospective clients should be guided accordingly. Holding large cash balances for more than six months is not

an effective investment strategy and the Registrant discourages clients from using investment accounts in this manner.

**f. 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 effect any account transactions without obtaining prior verbal consent from the client for each transaction. Thus, in the event of a market correction during which the client is unavailable, the Registrant will be unable to effect any account transactions (as it would for its discretionary clients) without first obtaining the client's verbal consent.

**g. Trade Error Policy.**

Registrant reimburses accounts for losses resulting from the Registrant's trade errors, but does not credit accounts for such errors resulting in market gains. When applicable, the gains and losses are reconciled within the Registrant's custodian firm account and the Registrant or the custodian retains the net gains and losses.

**h. Client Obligations.**

In performing its services, Registrant shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify the Registrant if there is ever any change in his or her or its financial situation or investment objectives for the purpose of reviewing, /evaluating /or revising Registrant's previous recommendations and services.

**i. Disclosure Statement.**

A copy of the Registrant's written disclosure statement as set forth in its Part 2A Brochure or Wrap Program Brochure



and Part 2B Brochure Supplements for appropriate representatives and its Privacy Notice shall be provided to each client prior to, or contemporaneously with, the execution of the Investment Advisory Agreement or Financial Planning and Consulting Agreement.

**j. Brokerage Commissions and/or Transaction Fee Differentials**

In most instances, custodians charge a brokerage commission or transactional fee or an asset-based fee, and based on the investment product selected, that commission or transactional fee or asset-based fee is not identical to other commissions or fees. Other products have higher or lower or zero commissions when compared at the commission or fee level. Most custodians offer mutual funds with transactions fees and mutual funds without transaction fees. Some custodians offer commission-free ETFs. Clients can inquire as to whether a transaction incurred a transaction cost.

**k. Securities-based Loans and Margin Loans**

Clients can have the opportunity to utilize margin loans in their investment accounts and be offered the opportunity to obtain loans or lines of credit based on or secured by the assets held in their investment accounts. When the Registrant charges a fee based directly or indirectly on the amount of assets under management in an investment account, the Registrant and its representatives have an incentive to maintain a high level of assets in those accounts, and the Registrant and its representatives have a conflict of interest when they advise a client to utilize a margin loan or a securities based loan or assist the client to obtain such a loan for some specific purpose, rather than advising the client to or assisting the client with withdrawing funds from such an investment account for that specific purpose.

**l. Nontradable assets in advisory accounts.**

In order to address a client's specific situation, the Registrant can recommend nontradable assets be purchased in an advisory account. Nontradable assets such as annuities or structured products are appropriate for certain client needs. The client would not be charged commissions for such investment products, but these products would be subject to the advisory fees calculated based on assets in the accounts. The amount of such assets in a particular account would be limited to a proportion that would not impair the ability of the Registrant to allocate the assets in the account.

**9. 401(K) PLAN PARTICIPANTS CONSIDERING AN IRA ROLLOVER**

A participant in a qualified employer sponsored retirement plan ("Employer Retirement Plan") can roll those assets over into an Individual Retirement Account ("IRA"). Plan participants are encouraged to consider the advantages and disadvantages of an IRA rollover from their existing Employer Retirement Plan. A plan participant leaving an employer typically has four non-exclusive options:

- a Leave the money in the former Employer Retirement Plan, if permitted;
- b Transfer the assets to the new employer's plan, if one is available and if rollovers are permitted;
- c Rollover the assets to an IRA;
- d Cash out (or distribute) the assets and pay the taxes due.

Investors usually face increased fees when they transfer retirement savings from their current Employer Retirement Plan to an IRA. Investors should be aware that even if there are no costs associated with the IRA rollover itself, there will be costs associated with account administration and investment



management. In addition to the fees charged by the Registrant or another advisor, the underlying investment products (mutual fund, ETF, annuity, or other investment) typically also charge management fees. Custodial fees also apply. Investing through an IRA managed by the Registrant is more expensive than the current Employer Retirement Plan.

Prior to electing to rollover assets from the current Employer Retirement Plan to an IRA, an investor should consider:

- a. The type of account investment management desired. For example, is assistance in the management of investments desired on a discretionary or non-discretionary basis; or is a self-managed account preferred.
- b. Available investment choices.
- c. The professional assistance available to participants in the current Employer Retirement Plan when compared to the advisory services offered by the Registrant in an advised IRA account.
- d. The cost of advisory fees.
- e. Management expenses associated with the underlying investments in an IRA advisory account in comparison to the underlying investment expenses associated with the current Employer Retirement Plan. Often, the management expenses in the current Employer Retirement Plan are less expensive than in a rollover IRA advisory account.
- f. Custodial charges in the advised IRA account in comparison to the current Employer Retirement Plan.
- g. Transaction charges associated with the advised IRA in comparison to the current Employer Retirement Plan.
- h. The rules pertaining to the required minimum distributions ("RMD") in the current Employer Retirement Plan when compared to the advised IRA.
- i. Legal protections afforded to current Employer Retirement Plan participants in comparison to rollover IRA account owners. Employer Retirement Plans have significant liability protection.
- j. The rules pertaining to beneficiaries of an IRA in comparison to the current Employer Retirement Plan (inherited accounts).
- k. The loan provision associated with the current Employer Retirement Plan, if any. IRA accounts do not have loan provisions.
- l. Employer Retirement Plans available from a new employer.

Clients and prospective clients are encouraged to consult with an accountant, a tax advisor, the plan administrator and/or legal counsel prior to rolling over assets from the current Employer Retirement Plan to an advised IRA with the Registrant.

#### C. ADVISORY SERVICES FOR CLIENTS' INDIVIDUAL NEEDS

The Registrant works to provide investment advisory services specific to needs of each client. Prior to providing investment advisory services, an investment advisor representative will discuss with each client, their particular investment objectives and risk tolerance. The Registrant shall allocate each client's investment assets consistent with their designated investment objectives and risk tolerance. At any time, clients can impose restrictions, in writing, on the Registrant's services.

#### D. MANAGEMENT OF WRAP AND NON-WRAP ACCOUNTS

There is no significant difference between how the Registrant manages wrap fee accounts and non-wrap fee accounts. However, as stated above, if a client determines to engage the Registrant on a wrap fee basis the client will pay a single fee for investment management and transaction fees (See Item 4.B). The services included in a wrap fee agreement will depend upon each client's particular need. If the client determines to engage the Registrant on a non-wrap fee basis the client will select individual services on an unbundled basis, paying for



each service separately. Please note: When managing a client's account on a wrap fee basis, the Registrant shall receive, as payment for its investment advisory services, the balance of the wrap fee after all other costs incorporated into the wrap fee have been deducted. Inasmuch as the execution costs for transactions effected in the client account will be paid by the Registrant, a potential conflict of interest arises in that the Registrant may have a disincentive to trade securities in the client account. In addition, the amount of compensation received by the Registrant as a result of the client's participation in the Program may be more than what the Registrant would receive if the client paid separately for investment management and transaction fees.

#### E. ASSETS UNDER MANAGEMENT

As of December 31, 2021, the Registrant had \$33,940,632,492 in assets under management with \$26,340,749,056 managed on a discretionary basis and \$33,909,194,912 managed on a non- discretionary basis.

### Item 5 Fees and Compensation

- A. The client can determine to engage the Registrant to provide discretionary and/or non-discretionary investment advisory services on a wrap or non- wrap fee basis.

The Registrant generally charges a fee based on a percentage of the assets to be managed. Agreeing to a fee based on a percentage of the assets to be managed creates a disincentive for the Registrant or its representatives to perform additional work for a client because that work will not increase the compensation to be paid. The Registrant can agree to charge a fixed or flat fee for its services, charging a specific dollar amount for a specific time period. Agreeing to a fixed fee creates a conflict of interest where the Registrant or its representatives have no incentive to perform additional work for the client since it will earn no additional compensation for that work. The Registrant can also agree to charge an hourly fee for all time spent working on the client's behalf. Agreeing to an hourly fee may create a conflict of interest where the Registrant or its representatives have an incentive to perform

additional work for the client because it will earn additional compensation for any additional work. The Registrant supervises to mitigate these types of conflict of interest.

#### B. NON-WRAP FEE BASIS

If a client determines to engage the Registrant to provide discretionary and/or non-discretionary investment advisory services on a non-wrap fee basis, the Registrant's annual investment advisory fee shall be based upon a percentage (%) of the market value and type of assets placed under the Registrant's management to be charged quarterly in advance, and Registrant's representatives have discretion to negotiate a fee with a maximum of 2.00% (two percent).

PLEASE NOTE: Schwab Institutional Intelligent Portfolios. As described in Item 4 Advisory Business, clients do not pay fees to SWIA or brokerage commissions or other fees to CS&Co as part of the Schwab IIP Program. Schwab does receive other revenues in connection with assets in the Program, as described in the Schwab IIP Program Disclosure Brochure. Brokerage arrangements are further described below in Item 12 Brokerage Practices.

#### C. WRAP PROGRAM FEES

If a client determines to engage the Registrant to provide investment management services on a wrap fee basis in accordance with the Registrant's Program, the services offered under, and the corresponding terms and conditions pertaining to, the Program are discussed in the Wrap Fee Program Brochure, a copy of which is presented to all prospective Program participants. Under the Program, the Registrant's annual investment advisory fee covers investment management and transaction fees, and shall be based upon a percentage (%) of the market value and type of assets placed under the Registrant's management to be charged quarterly in advance. As discussed in Item 4 above, the current annual Program fee ranges from negotiable to 2.25%, based upon various objective and subjective factors, including, but not limited to, the amount of the assets placed under the Registrant's direct management, the amount of the assets placed under the Registrant's advisement (assets that are



generally managed directly by the client or by other investment professionals engaged by the client, for which the Registrant provides review/monitoring services, but does not have trading authority), the complexity of the engagement, and the level and scope of the overall investment advisory services to be rendered. (See also Fee Differential discussion above).

#### D. FINANCIAL PLANNING AND CONSULTING SERVICES FEES

To the extent requested by a client, the Registrant provides financial planning or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone fee basis. Registrant's planning and consulting fees are negotiable on a fixed fee basis or on an hourly rate basis, depending upon the level and scope of the services required and the professionals rendering the services.

#### E. THIRD PARTY ASSET MANAGEMENT PROGRAMS

For Third Party Asset Management Programs ("TAMPs"), clients pay an advisory fee as set out in the client agreement with the TAMP sponsor. The fee is typically negotiated among the TAMP sponsor, the representative and the client. The TAMP sponsor establishes a fee schedule or sets a minimum or maximum fee. The TAMP fee schedule will be set out in the Disclosure Brochure provided by the TAMP sponsor. The advisory fee typically is based on the value of assets under management as valued by the custodian of the assets for the account and will vary by program. The advisory fee typically will be deducted from the account by the custodian and paid quarterly in arrears or in advance. The advisory fee is often paid to the TAMP sponsor, who in turn pays a portion to the Registrant. Generally, the Registrant shares between 90% and 100% of the Registrant's portion of the fee with the representative based on the agreement between the Registrant and the representative. A TAMP account can be terminated by a party pursuant to the terms outlined in the TAMP client agreement. The TAMP client agreement will explain how clients can obtain a refund of

any pre-paid fee if the agreement is terminated before the end of a billing period.

There are other fees and charges imposed by third parties that usually apply to investments in TAMP accounts. These types of fees and charges are described below. Absent other arrangements, the client is charged commissions, markups, markdowns, or transaction charges by the custodian who executes transactions in the TAMP account. There are usually custodial related fees imposed by the custodian of assets for the program account. These additional fees and charges will be set out in the TAMP Brochure and the agreements executed by the client at the time the account is opened.

If assets are invested in mutual funds, ETFs or other pooled funds, there are two layers of advisory fees and expenses for those assets. The client will pay an advisory fee to the fund manager and other expenses as a shareholder of the fund. The client will also pay the TAMP advisory fee with respect to those assets. The mutual funds and ETFs available in the programs are available for direct purchase. Therefore, clients could avoid the second layer of fees by not using the advisory services of the TAMP and representative and by making their own decisions regarding the investment. While a mutual fund in a TAMP program account at times pays an asset based sales charge or service fee (e.g., 12b-1 fee) to the custodian on the account the Registrant and its representatives are not paid any portion of these fees.

If client transfers into a TAMP account a previously purchased mutual fund, and there is an applicable contingent deferred sales charge on the fund, client will pay that charge when the mutual fund is sold. If the account is invested in a mutual fund that charges a fee if a redemption is made within a specific time period after the investment, client will be charged a redemption fee. If a mutual fund has a frequent trading policy, the policy can limit a client's transactions in shares of the fund (e.g., for rebalancing, liquidations, deposits or tax harvesting).

If client holds a variable annuity that is managed as part of a TAMP account, there are mortality,





expense and administrative charges, fees for additional riders on the contract and charges for excessive transfers within a calendar year imposed by the variable annuity sponsor. If client holds a UIT in a program account, UIT sponsors charge creation and development fees or similar fees. Further information regarding fees assessed by a mutual fund, variable annuity or UIT is available in the appropriate prospectus, which clients can request from the representative.

If the TAMP program is a wrap fee program, clients should understand that the wrap fee can cost the client more than purchasing the program services separately, for example, paying fees for the advisory services of the TAMP and representative, plus commissions for each transaction in the account. Factors that bear upon the cost of the account in relation to the cost of the same services purchased separately include the:

- type and size of the account
- types of securities in the account
- historical and or expected size or number of trades for the account, and
- number and range of supplementary advisory and client-related services provided to the client.

The investment products and services available to be purchased in TAMP program accounts can be purchased by clients outside of a TAMP program account, through the Registrant or through broker- dealers or other investment firms not affiliated the Registrant or the TAMP.

#### F. RETIREMENT PLAN CONSULTING FEES

Retirement Plan Consulting Fees are usually based on a percentage of the assets held in the Plan (up to 1.00% annually), on an hourly basis (up to \$400 per hour), or on a flat rate basis, as negotiated between the Plan and the representative. Fees will be payable to Registrant in advance or in arrears on the frequency (e.g., quarterly, monthly, etc.) agreed upon among the client, the Registrant, and the representative. If asset based fees are negotiated, payment generally will be based on the value of the Plan

assets as of the close of business on the last business day of the period as valued by the custodian of the assets. However, if the fee is paid by the Plan or the client through a third party service provider, such fee will be calculated as determined by the provider. If the fee is paid prior to the services being provided, the Plan will be entitled to a prorated refund of any prepaid fees for services not received upon termination of the client agreement.

Clients can also incur fees and charges imposed by third parties other than the Registrant and its representatives in connection with investments recommended by the Registrant. These third party fees can include fund or annuity subaccount management fees, 12b-1 fees and administrative servicing fees, plan recordkeeping and other service provider fees. Further information regarding charges and fees assessed by a fund or annuity are available in the appropriate prospectus, and should be considered by the Plan before making the investment. In the event that the representative collects a 12b-1 fee, it is not in his capacity as an investment advisor representative of the Registrant, but rather in his capacity as a registered representative of LPL Financial.

If a client engages the Registrant to provide ongoing investment recommendations to the Plan regarding the investment options (e.g., mutual funds, collective investment funds) to be made available to Plan participants, clients and Plan participants should understand that there generally will be two layers of fees with respect to such assets.

The Plan will pay an advisory fee to the fund manager and other expenses as a shareholder of the fund. The client also will pay the Registrant a fee for the investment recommendation services. Therefore, clients could generally avoid the second layer of fees by not using the advisory services of the Registrant and by making their own decisions regarding the investment.

If a Plan makes available a variable annuity as an investment option, there are mortality, expense and administrative charges, fees for additional riders on the contract and charges for excessive





transfers within a calendar year imposed by the variable annuity sponsor. If a Plan makes available a pooled guaranteed investment contract (GIC) fund, there are investment management and administrative fees associated with the pooled GIC fund.

Clients should understand that the fee that a client negotiates with a representative can be higher than the fees charged by other investment advisors or consultants for similar services. This is the case, in particular, when the fee is at or near the maximum fees set out above. The representative is responsible for determining the fee to charge each client based on factors such as total amount of assets involved in the relationship, the complexity of the services, and the number and range of supplementary advisory and client-related services to be provided. Clients should consider the level and complexity of the consulting and/or advisory services to be provided when negotiating the fee with representative.

Clients pay the fee by check made payable to Registrant. In the alternative, clients can also instruct a Plan's service provider or custodian to calculate and debit the fee from the Plan's account at the custodian and pay such fee to Registrant.

#### G. DEDUCTING ADVISORY FEES FROM CUSTODIAL ACCOUNTS

Clients can elect to have the Registrant's advisory fees deducted from their custodial account. Both Registrant's Investment Advisory Agreement and the custodial/clearing agreement authorize the custodian to debit the account for the amount of the Registrant's investment advisory fee and to directly remit that management fee to the Registrant in compliance with regulatory procedures. In the limited event that the Registrant bills the client directly, payment is due upon receipt of the Registrant's invoice. The Registrant shall deduct fees and/or bill clients quarterly in advance, based upon the market value of the assets on the last business day of the previous quarter.

#### H. DUALY REGISTERED PERSONS AND CUSTODY OF ACCOUNTS

Certain of the Registrant's investment advisor representatives are also registered representatives of LPL Financial ("dually registered persons"). The ultimate decision to custody assets with a particular custodian is made by the Registrant's clients (including those accounts under ERISA or IRA rules and regulations, in which case the client is acting as either the plan sponsor or IRA accountholder). Registrant's representatives have significant impact on the decision of which custodian is used. A representative uses at least one custodian, and certain representatives use multiple custodians. When a representative who is dually registered with LPL Financial wishes to use a custodian other than LPL Financial, it requires approval by LPL Financial. It is possible that a client may wish their assets to be held by a custodian that the representative does not have access to, though the Registrant does. In that event, the client could choose to switch representatives in order to access the particular custodian through the Registrant.

If approved, the client may be serviced by the dually registered persons but an oversight fee equal to 5 basis points or 0.05% (five hundredth of one percent) of the assets under management is paid to LPL Financial. Clients who engage the Registrant on a non-wrap basis will incur, in addition to Registrant's investment management fee, brokerage commissions and/or transaction fees, and, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses). Clients should be aware that the requirement of approval and the charging of the oversight fee may create a disincentive for dually registered persons to recommend custodians other than LPL Financial or to assist clients in opening accounts with a custodian other than LPL Financial.

Certain investment advisor representatives of the Registrant are also associated with LPL Financial as broker-dealer registered representatives ("dually registered persons"). In their capacity as registered representatives of LPL Financial, dually registered persons may earn commissions for the sale of securities or investment products that



they recommend for brokerage clients. Dually registered persons do not earn commissions on the sale of securities or investment products recommended or purchased in advisory accounts through the Registrant. Clients have the option of purchasing many of the securities and investment products that the Registrant makes available through another broker-dealer, another custodian, registered investment advisor or another financial institution. However, if clients purchase these securities and investment products away from the Registrant, clients will not receive the benefit of ongoing advice and other services that the Registrant provides. To determine whether an investment advisor representative is a dually registered person, clients should review his or her Part 2B Brochure Supplement, and if a client has not received a copy of that document, the client should contact the Registrant using the information on the cover page.

Please Note: LPL Financial is affiliated with Private Trust Company, N.A., ("PTC") a trust company licensed in all 50 states under a national bank charter. Under the Internal Revenue Code, which authorizes the tax-advantaged status of Individual Retirement Accounts ("IRAs"), IRAs must be a trust, or a custodial account held by a bank that is treated as a trust. When a client elects to utilize LPL Financial as his or her custodian, LPL Financial will direct client's IRA assets to be held at PTC to qualify as an IRA. As such, clients may incur an annual IRA maintenance fee charged by PTC. Any annual IRA maintenance fees incurred by the client shall be in addition to the Registrant's investment management fee. PTC may set a level of assets for IRAs above which it will waive its Annual Maintenance Fee, and PTC may choose to waive its fee for certain centrally managed programs. Custodians other than LPL Financial/PTC may or may not charge an annual fee for maintaining a retirement account, and any such fee may be more or less than the fee charged by PTC. PTC may waive its annual maintenance fee for accounts in certain centrally managed programs offered by LPL Financial. Custodians other than LPL Financial/PTC may or may not waive their fees based on a level of assets

maintained in the account, and the asset level or other conditions for a fee waiver may be higher or lower than the asset level set by PTC for fee waiver.

#### I. CALCULATION OF ADVISORY FEES

Registrant's annual investment advisory fee shall be prorated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter. The Registrant does not generally require an annual minimum fee or asset level for investment advisory services. However, Registrant, in its sole discretion, can reduce its annual minimum fee and/or charge a lesser investment management fee 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.). The Registrant can participate in programs sponsored by other entities that require a minimum asset level or that charge a minimum fee, and clients should be aware that the imposition of minimum fees by another entity can result in a higher fee being charged than is described in this brochure, particularly where partial withdrawals by the client reduce asset levels.

The Investment Advisory 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 Investment Advisory Agreement. Following receipt of notice of 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.

#### J. COMMISSION TRANSACTIONS

In the event that the client desires, the client can engage certain of the Registrant's representatives, in their individual capacities as registered representatives of LPL Financial, an SEC registered and FINRA member broker-dealer, to implement investment recommendations on a commission basis. In the event the client chooses to purchase investment products through LPL Financial, LPL



Financial will charge brokerage commissions to effect securities transactions, a portion of which commissions LPL Financial shall pay to the LPL registered representatives who effectuated the purchase. Any payment of commissions to representatives of the Registrant would be through their role as registered representatives of LPL Financial, and the Registrant would receive no part of those commissions.

The brokerage commissions charged by LPL Financial can be higher or lower than those charged by other broker-dealers. In addition, LPL Financial, relative to mutual fund purchases with commissions, also receives, at times, additional ongoing 12b-1 trailing commission compensation directly from the mutual fund company during the period that the client maintains the mutual fund investment in a brokerage relationship, and the Registrant's representatives who are dually registered persons may receive a portion of those additional ongoing 12b-1 trailing commission compensation directly from the mutual fund company in their roles as registered representatives of LPL Financial. In the event that the representative collects a 12b-1 fee, it is not in his capacity as an investment advisor representative of the Registrant, but rather in his capacity as a registered representative of LPL Financial.

1. Conflict of Interest: The recommendation that a client purchase a commission product from LPL Financial presents a conflict of interest to a dually registered person, as the receipt of commissions provides an incentive to recommend investment products based on commissions received in his or her role as a registered representative of LPL Financial, rather than on a particular client's need. No client is under any obligation to purchase any commission products from LPL Financial. The Registrant's Chief Compliance Officer remains available to address any questions that a client or prospective client has regarding the above conflict of interest.
2. Please note: Clients can purchase investment products recommended by Registrant through other, non-affiliated broker dealers or

agents.

3. When Registrant's representatives sell an investment product on a commission basis, the Registrant 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, the Registrant's representatives do not also receive commission compensation for such advisory services. However, a client may engage the Registrant to provide investment management services on an advisory fee basis and separate from such advisory services purchase an investment product from Registrant's representatives on a separate commission basis.

In addition to the fees charged by the Registrant, clients can incur brokerage, custodial or mutual fund fees and expenses. Some investments have additional fees embedded within the product. Please discuss your individual account with your investment advisor representative. For additional information, please see Item 12-Brokerage Practices. In addition to advisory fees, investment advisor representatives who are dually registered persons and/or licensed as insurance agents or brokers receive additional compensation. These individuals implement investment recommendations for advisory clients and receive separate yet customary compensation including, commissions, 12b-1 fees or other transaction related compensation. These additional fees and expenses will increase the overall investment cost to the client. In the event that the representative collects a brokerage commission, an insurance commission or 12b-1 fee, it is not in his capacity as an investment advisor representative of the Registrant, but rather in his capacity as a registered representative of LPL Financial or licensed insurance agent.

Receipt of these commissions presents a conflict of interest and gives the Registrant and the investment advisor representative an incentive to recommend an investment product based on the compensation received. The Registrant addresses this conflict by disclosing to clients brokerage and other expenses. Clients will receive notification of brokerage commissions



charged by the broker-dealer through which the transactions are effected.

The Registrant endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by the Registrant in and of itself creates a conflict of interest and indirectly influences the Registrant's choices for investments, custody and brokerage services, and that the receipt of economic benefits by representatives of the Registrant in and of itself creates a conflict of interest and may indirectly influence the Registrant's choices for investments, custody and brokerage services.

#### K. PERFORMANCE FEES

Under certain circumstances, the Registrant negotiates an agreement with a client where the Registrant agrees to receive a performance-based fee. The agreement must be specifically approved by the Chief Compliance Officer and the client must demonstrate that he or she is a qualified client under Rule 205-3 under the Investment Advisers Act of 1940. The details regarding the fees, including the amount of the fee, how is calculated, and frequency of the performance calculation, will be set-forth in the client's agreement. The performance fee is not subject to, and can exceed, the maximum fee stated elsewhere in this Brochure for investment advisory services.

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

As we disclosed at Item 5 above, the Registrant, in its sole discretion can agree with a client to accept a performance based fee – a fee that is based on the capital gains in a client's account over a specified term.

Please Note: When the client agrees to pay a fee based on performance, the investment advisor representative managing the account has an incentive to incur a higher level of risk to increase his or her compensation, especially in the situation where there is an unrealized loss in the account. The client must understand that aggressively seeking increases in these investments increases the risk of catastrophic losses.

The Registrant manages more than one client account, often with different mandates or fee structures (side-by-side management). This is a conflict of interest, as it creates a financial incentive for providing preferential treatment to one account over others in terms of allocation of management time, resources, investment opportunities, and trade execution. The Registrant mitigates this conflict of interest by adopting a Code of Ethics, by disclosing this conflict to clients, and by endeavoring to act in each client's best interest as a fiduciary. Additionally, our advisors utilize similar research and resources for their client accounts and aggregate client trades whenever possible.

#### **Item 7 Types of Clients**

The Registrant's clients shall generally include individuals, business entities, trusts, estates and charitable organizations. The Registrant does not generally require an annual minimum fee or minimum asset level for investment advisory services. Certain investment programs or investment products require annual minimum fees or minimum asset levels for participation. Clients should thoroughly review disclosure materials or brochures and consult with their representative about implications of such minimum requirements before investing in such programs or products.

PLEASE NOTE Schwab Institutional Intelligent Portfolios. Clients eligible to enroll in the Schwab IIP Program include individuals, IRAs and revocable living trusts. Clients that are organizations (such as corporations and partnerships) or government entities, and clients that are subject to the Employee Retirement Income Security Act of 1974, are not eligible for the Schwab IIP Program. The minimum investment required to open an account in the Schwab IIP Program is \$5,000. The Schwab IIP Program Disclosure Brochure describes related minimum required account balances for maintenance of the account, automatic rebalancing, and tax-loss harvesting.

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

A. The Registrant may utilize the following methods of security analysis:



- Charting - (analysis performed using patterns to identify current trends and trend reversals to forecast the direction of prices)
- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
- Technical - (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)
- Cyclical - (analysis performed on historical relationships between price and market trends, to forecast the direction of prices)

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

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Trading (securities sold within thirty (30) days)

**Please Note: Investment Risk.** 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 the Registrant) will be profitable or equal any specific performance level(s).

- B. 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 fundamental 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 is an investment strategy that requires the purchase and sale of securities within a thirty (30) day investment time period, and involves a very short investment time period. A trading strategy will incur higher transaction costs when compared to a short term investment strategy and substantially higher transaction costs than a longer term investment strategy.

- C. Currently, the Registrant allocates client investment assets primarily among various individual equity and fixed income securities, mutual funds and/or exchange traded funds ("ETFs") (including inverse ETFs and/or mutual funds that are designed to perform in an inverse relationship to certain market indices), on a discretionary and non-discretionary basis in accordance with the client's designated investment objectives and risk tolerances.

As disclosed above, the Registrant may utilize leveraged long and short mutual funds and/or exchange traded funds 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 strategy will prove profitable or successful. In light of these enhanced risks/rewards, a client may direct the Registrant, in writing, not to employ any or all such strategies for his or her or its accounts. (See Item 4.B)

- D. The Schwab IIP Program Disclosure Brochure includes a discussion of various risks associated with the Schwab IIP Program, including the risks of investing in ETFs, as well as risks related to the underlying securities in which ETFs invest. In addition, the Schwab IIP Program Disclosure Brochure also discusses market/systemic risks, asset allocation/strategy/diversification risks, investment strategy risks, trading/liquidity risks, and large investment risks.

### Item 9 Disciplinary Information

The Registrant paid a \$20,000 administrative penalty in 2017 to the Pennsylvania Department of Banking and Securities for employing an investment advisor representative in the state who was not registered with the state. The Registrant does not have any other reportable disciplinary information.

### Item 10 Other Financial Industry Activities and Affiliations

- A. PAG Financial, LLC is a FINRA registered broker-dealer, and is under common control with the Registrant. PAG Holdings, LLC owns 100% of PAG Financial, LLC. PAG Financial, LLC does not have any retail or institutional customers, and does not serve as custodian for any investment assets.
- B. Private Advisor Network, LLC is an SEC registered investment adviser, and is under common control with the Registrant. PAG Holdings, LLC owns 100% of Private Advisor Network, LLC. Private Advisor Network, LLC does not have any retail or institutional customers, and is not currently providing advisory services.
- C. Certain of the Registrant's investment advisor representatives are also associated with LPL Financial as broker-dealer registered representatives ("dually registered persons"). LPL Financial is an SEC registered and FINRA member broker-dealer that is independently owned and operated and is not affiliated with the Registrant. Please refer to Item 12 for a discussion of the benefits that dually registered persons may receive from LPL Financial and the conflicts of interest associated with receipt of such benefits.
- D. Neither the Registrant, nor its management persons, nor its representatives, 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.
- E. **REGISTRANT'S REPRESENTATIVES OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**
  1. **Registered Representatives of LPL Financial.** Certain of Registrant's representatives, are registered representatives of LPL Financial, an SEC Registered and FINRA member broker-dealer. Clients may choose to engage Registrant's representatives in their individual capacities as registered representatives of LPL Financial, to implement investment recommendations on a commission basis.
  2. **Licensed Insurance Agents.** Certain of Registrant's representatives, in their individual capacities, are licensed insurance agents, and may recommend the purchase of certain insurance-related products on a commission basis. As referenced in Item 4.B above, clients can engage certain of Registrant's representatives to purchase insurance products on a commission basis. Conflict of Interest: The recommendation by Registrant's representatives that a client purchase 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 Registrant's representatives. Clients are reminded that they may purchase investment products recommended by Registrant through other, non-affiliated broker dealers or insurance agents. The Registrant's Chief Compliance Officer remains available to address any





questions that a client or prospective client may have regarding the above conflict of interest.

3. **Licensed Attorneys.** Certain of Registrant's representatives are licensed attorneys and may, in their individual capacities, provide legal services to Registrant's clients. To the extent that a client specifically requests legal or estate planning services, the Registrant may recommend the services of an attorney, including certain of Registrant's representatives in their individual capacities as licensed attorneys. Any such legal services shall be rendered independent of the Registrant pursuant to a separate agreement between the client and the attorney. The Registrant shall not receive any of the fees charged by the attorney, referral or otherwise. The Registrant's Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.
4. **Employees or Affiliates of Banks.** Certain of Registrant's representatives are employees or affiliates of banks, and may recommend the use or purchase of certain bank products or services. Conflict of Interest: The recommendation by these representatives that a client use or purchase certain bank products or services presents a conflict of interest, as a bank employee may have an incentive based on his employment to recommend the use or purchase of certain bank products or services rather than on a particular client's need. No client is under any obligation to use or purchase any bank products or services.

Clients are reminded that they may patronize any bank and are not required to use or purchase any banking products or services recommended by the representative. In addition, a representative's employment by a bank does not mean that investments made through him are deposits with the bank, or obligations of the bank or are guaranteed by the bank or any governmental agency. Investments are subject to investment risks, including possible loss of the principal

amount invested. The Registrant's Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.

5. **Other Investment Advisor Firm.** Certain of Registrant's representatives also serve as investment advisor representatives of other registered investment advisors. These representatives may refer certain clients to those other investment advisors for advisory services. The recommendation by these representatives that a client engage the investment advisory services of another investment advisor presents a conflict of interest, as these representatives may receive a direct economic benefit from any such referral. No client is under any obligation to engage the services of another investment advisor. The Registrant's Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.
6. **Real Estate broker or dealer.** Certain of Registrant's representatives also serve as real estate brokers or dealers or as owners or investors in real estate investments. These representatives may recommend the purchase, sale, rental of or investment in real estate. Such advice presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend real estate based on commissions to be received, rather than on a particular client's need. In addition, holding an ownership interest in real estate investment being offered to a client also presents a conflict of interest. No client is under any obligation to purchase or rent any real estate from or invest in real estate with these representatives. Clients are reminded that they may purchase or rent any real estate recommended by these representatives through other, real estate agents, and that they may invest in other real estate ventures. The Registrant's Chief Compliance Officer remains available to address any questions that a client or prospective client may have



regarding the above conflict of interest.

7. **Accountants and Certified Public**

**Accountants.** Certain of Registrant's representatives are accountants and Certified Public Accountants and Enrolled Agents. To the extent that these representatives provide accounting services, which may include tax advice, to any clients, including clients of the Registrant, all such services shall be performed by those representatives, in their individual professional capacities, independent of the Registrant, for which services Registrant shall not receive any portion of the fees charged by the representative, referral or otherwise. It is expected that these representatives, solely incidental to their practices as accountants, may recommend the Registrant's services to certain of their clients. No client of Registrant is under any obligation to use the accounting services of these representatives. The Registrant's Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.

8. To determine whether any of the Registrant's representatives servicing a client's accounts are engaged in any activities that may create a conflict of interest, clients should review the Part 2B Brochure Supplements for those representatives. Please contact the Registrant or your representative if you did not receive Part 2B Brochure Supplements. Clients of the Registrant have their primary contact with a representative of the Registrant who brings them onboard as a client. The representative may recruit the Client while with the Registrant, or may have recruited them while the representative was affiliated with a previous broker-dealer or registered investment advisor, and induced the client to continue that relationship with the representative when the representative became affiliated with the Registrant. Investment advisor representatives of the Registrant have made individual decisions to affiliate with the Registrant. Because each affiliation decision was made solely based on

the business determination of the individual representative and client, the Registrant may be limited in its ability to negotiate fees, etc., on behalf of its clients. The Registrant may recommend or select other investment advisors for its clients generally through Third Party Asset Management Programs ("TAMPs"). LPL Financial makes available advisory services and programs of third party investment advisors. Through these TAMPs, the Registrant's representatives provide ongoing investment advice to clients that is tailored to the individual needs of the client. As part of these TAMP services, the representative typically obtains the necessary financial data from the client, assists the client in determining the suitability of the program, assists the client in setting an appropriate investment objective and assists the client in opening an account with the TAMP. In addition, depending on the type of program, the representative may assist the client to select a model portfolio of securities designed by the TAMP or select a portfolio management firm to provide discretionary asset management services. It is the third party investment advisor (and not Registrant's representative) that has client authority to purchase and sell securities on a discretionary or non-discretionary basis pursuant to investment objective chosen by the client.

9. This authorization will be set out in the TAMP client agreement. The Brochure for the particular TAMP will explain whether clients may impose restrictions on investing in certain securities or types of securities. In particular, the Registrant currently offers advisory services through TAMPs sponsored by, among others: AssetMark, Brinker Capital, BTS Asset Management, Envestnet, Flexible Plan Investments, Orion Portfolio Solutions, Manning & Napier, Morningstar Managed Portfolios, SEI Investments Management and Symmetry Partners LLC. Clients should refer to the Brochure, client agreement and other account paperwork for each TAMP for more detailed information about the services available under the program.



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

- A. 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.

- B. 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.
- C. The Registrant and its representatives may buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrant and its representatives 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, that is persons who have access to its nonpublic information. The Registrant's securities transaction policy requests that an Access Person of the Registrant provides the Chief Compliance Officer with a written report of their current securities holdings as part of the process of becoming an Access Person. Additionally, each Access Person provides the Chief Compliance Officer with a written or electronic report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date the Registrant selects.

- D. The Registrant and its representatives 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 its representatives 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 in Item 11.C, 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.

## Item 12 Brokerage Practices

The Registrant recommends to all clients that all client investment funds be held by a custodian in investment accounts identified individually to the client and about which the client will receive regular statements from the custodian. The Registrant does not accept engagements with clients where client funds are pooled into an omnibus account. See Item 15.

Clients open brokerage accounts or advisory accounts, or some combination of each type of account based on their individual needs. Dually registered persons may not be registered with a broker-dealer other than LPL Financial, and may not hold brokerage accounts away from LPL Financial. The ultimate decision to custody assets with a particular custodian is made by the Registrant's clients (including those accounts under ERISA or IRA rules and regulations, in which case the client is acting as either the plan sponsor or IRA account holder). Registrant's representatives have significant impact on the decision of which custodian



is used. A representative uses at least one custodian, and certain representatives use multiple custodians. When a representative who is dually registered with LPL Financial wishes to use a custodian other than LPL Financial, it requires approval by LPL Financial. It is possible that a client may wish their assets to be held by a custodian that the representative does not have access to, though the Registrant does. In that event, the client could choose to switch representatives in order to access the particular custodian through the Registrant.

- A. In the event that the client requests that the Registrant recommend a custodian for execution and custodial services (exclusive of those clients that may direct the Registrant to use a specific custodian), the Registrant's representative may recommend that investment accounts be maintained at a custodian with which that representative has experience. Prior to engaging Registrant to provide investment management services, the client will be required to enter into a formal Investment Advisory Agreement with Registrant setting forth the terms and conditions under which Registrant shall manage the client's assets, and a separate custodial agreement with each designated custodian.

Factors that the Registrant considers in recommending LPL Financial and/or PTC (or any other custodian to clients) include historical relationship with the Registrant, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and transaction fees paid by Registrant's clients shall comply with the Registrant's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Registrant determines, in good faith, that the commission and transaction fee 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 Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer or custodian are exclusive of, and in addition to, Registrant's investment management fee. The Registrant's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close. Custodians may make various share classes of mutual funds available to the Registrant and its clients. Even though multiple share classes are available from an investment product sponsor, a custodian may only make available a single share class or a limited number of share classes on its platform. The Registrant will select for purchase only share classes that are no-load or load-waived share classes and therefore not subject to any upfront sales charge paid to the investment sponsor, but may be subject to a transaction fee paid to the custodian. Custodians may not choose to offer the least expensive share class that an investment product sponsor makes available, but instead may select a share class that pays the custodian compensation for the administrative and recordkeeping services that the custodian provides to the investment product sponsor. Other custodians and financial services firms may offer the same mutual fund at a lower overall cost to the investor than is available through the Registrant or a particular custodian and the client should consider these factors in deciding between types of investments, types of investment products and types of investment accounts. In reviewing mutual fund share class holdings in existing portfolios, the Registrant evaluates the transaction costs of switching between share classes and the investment horizon of the client to determine whether a client will benefit from a particular transaction.

As discussed previously in Item 10, certain associated persons of the Registrant are registered representatives of LPL Financial. As a result of this relationship, LPL Financial may have access to certain confidential information (e.g., financial information, investment objectives, transactions and holdings) about the Registrant's



clients, even if client does not establish any account through LPL Financial.

If you would like a copy of the LPL Financial privacy policy, please visit [www.lpl.com](http://www.lpl.com) or contact the Registrant's Chief Compliance Officer.

The Registrant may also recommend that clients establish investment accounts with custodians outside of LPL Financial who are members of FINRA and SIPC to maintain custody of clients' assets and to effect trades for their accounts. These custodians currently include:

1. Charles Schwab & Co., Inc. (CS&Co),
2. TD Ameritrade,
3. BNY Mellon/Pershing,
4. Fidelity,
5. Interactive Brokers,
6. US Bank and
7. the SEI Private Trust Company (SPTC).

The final decision to custody assets with a particular custodian is at the discretion of the client, including those accounts under ERISA or IRA rules and regulations, in which case the client is acting as either the plan sponsor or IRA accountholder. The Registrant is independently owned and operated and not affiliated with any custodians.

#### 1. RESEARCH & ADDITIONAL BENEFITS

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular custodian, the Registrant may receive from LPL Financial, without cost (and/or at a discount) support services and/or products, certain of which assist the Registrant to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by the Registrant may be 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,

discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Registrant in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and products that may be received may assist the Registrant in managing and administering client accounts. Others do not directly provide such assistance, but rather assist the Registrant to manage and further develop its business enterprise.

Registrant's clients do not pay more for investment transactions effected or assets maintained at LPL Financial or PTC as a result of this arrangement. There is no corresponding commitment made by the Registrant to LPL Financial, PTC or any custodians to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

In the event that the Registrant's clients utilize the services of Schwab as a custodian, Schwab may provide the Registrant with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent registered investment advisors like the Registrant on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the registered investment advisor's clients' assets are maintained in accounts at Schwab Institutional. Other custodians may provide similar services based on maintaining similar levels of client assets with them, and clients should be aware that other custodians may charge lower fees or higher fees for making services available, or may require a lower or higher level of assets to be custodied with them. Schwab's services include brokerage services that





are related to the execution of securities transactions, custody, research, including that in the form of advice, analyses and reports, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. For client accounts of the Registrant that are maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions or other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle in Schwab accounts. Custodians also make available to the Registrant other products and services that benefit the Registrant but may not benefit its clients' accounts. These benefits may include national, regional or Registrant-specific educational events organized and/ or sponsored by the custodian. Other potential benefits may include occasional business entertainment of personnel of the Registrant by the custodian, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Other such products and services assist the Registrant in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of the Registrant's fees from its clients' accounts, and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of the Registrant's accounts, including accounts not maintained at the particular custodian. The custodian also may make available to the Registrant other services intended to help

the Registrant manage and further develop its business enterprise. These services may include professional, compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance and marketing. In addition, custodians may make available, arrange and/ or pay vendors for these types of services rendered to the Registrant by independent third parties. The custodian may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to the Registrant. The Registrant's recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefit to the Registrant of the availability of some of the foregoing products and services and other arrangements and not solely on the nature, cost or quality of custody and brokerage services provided by the custodian, which may create a potential conflict of interest. From time to time, certain representatives of the Registrant or groups of those representatives may receive specific benefits from broker-dealers generally for those representatives to custody client assets with those broker-dealers at a time when those representatives are changing their affiliations. LPL Financial provides transition assistance payments in the form of forgivable and non-forgivable loans to certain representatives of the Registrant who are also registered representatives of LPL Financial. All such transition assistance payments are made to those persons in their capacities as registered representatives of LPL Financial.

The Registrant's Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding the above arrangements and any corresponding perceived conflict of interest any such arrangement may create.

2. The Registrant does not receive referrals from broker-dealers.



3. The Registrant does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). The Registrant's representatives who are also registered representatives of LPL Financial are not able to participate in brokerage arrangements away from LPL Financial. In addition, the Registrant has determined to follow a policy of holding client assets in individual accounts that are identified to the client, instead of in an omnibus account in the Registrant's name, to increase transparency and security for clients, but at the cost of reducing the Registrant's capability and leverage to negotiate brokerage arrangements. In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Registrant will not seek better pricing from other broker-dealers or be able to "bunch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Registrant. In addition, custodial accounts at specific custodians may limit the choice of investment products, such as classes of mutual funds that are available on that custodian's platform and may result in a client not being able to invest in particular investment products or paying higher transaction fees based on the products that are made available. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Please Note: In the event that the client directs Registrant to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Registrant. The Registrant's Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding the above arrangement.
- B. To the extent that the Registrant provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless the Registrant decides to purchase or sell the same securities for several clients at approximately the same time. The Registrant may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Registrant's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. The Registrant shall not receive any additional compensation or remuneration as a result of such aggregation.
- C. **OPENING INDIVIDUAL BROKERAGE OR ADVISORY ACCOUNTS WITH LPL FINANCIAL OR ANOTHER CUSTODIAN**

The Registrant's investment advisor representatives will generally assist clients in establishing brokerage accounts and/or advisory accounts with LPL Financial or another custodian to maintain custody of clients' assets and to effect trades for their accounts. LPL Financial provides brokerage and custodial services to independent investment advisory firms, including the Registrant. For the Registrant's accounts custodied at LPL Financial, LPL Financial generally is compensated by clients through commissions, trails, or other transaction-based fees for trades that are executed through LPL Financial or that settle into LPL Financial accounts. In order for IRA accounts to qualify as for tax-favorable treatment under section 408(h) of the Internal Revenue Code, LPL Financial arranges for them to be held in custodial accounts with PTC, a banking subsidiary of LPL, and PTC charges



an annual account maintenance fee for its services. In addition, LPL Financial also charges clients miscellaneous fees and charges, such as account transfer fees. LPL Financial may charge certain dually registered persons an asset-based administration fee for administrative services provided by LPL Financial. Such administration fees are not directly borne by clients, but may be taken into account when the dually registered persons negotiate the advisory fee with a client.

While LPL Financial does not participate in, or influence the formulation of, the investment advice that the Registrant provides, certain supervised persons of the Registrant are dually registered persons. Dually registered persons are restricted by certain FINRA rules and policies from maintaining client accounts at another custodian or executing client transactions in such client accounts through any broker-dealer/ custodian that is not approved by LPL Financial. As a result, the use of other trading platforms by dually registered persons must be approved not only by the Registrant, but also by LPL Financial.

Clients should also be aware that for accounts where LPL Financial serves as the custodian, the Registrant is limited to offering services and investment vehicles that are approved by LPL Financial, and may be prohibited from offering services and investment vehicles that may be available through other broker-dealers and custodians, some of which may be more suitable for a client's portfolio than the services and investment vehicles offered through LPL Financial. Clients should also be aware that dually registered persons are limited to offering services and investment vehicles that are approved by LPL Financial, even if those services or investment vehicles are offered on a custodial platform away from LPL Financial where the client maintains an account.

Clients should understand that not all investment advisors require that clients custody their accounts and trade through specific broker-dealers, or even recommend that clients custody their accounts and trade through specific broker-dealers. Clients should also understand that not all investment advisors have representatives who are dually registered persons. Clients should also

understand that not all investment advisors have a policy of maintaining client assets in individually identified accounts.

Clients should also understand that LPL Financial is responsible under FINRA rules for supervising certain business activities of the Registrant and its dually registered persons that are conducted through custodians other than LPL Financial. LPL Financial can charge a fee for its oversight of activities conducted through these other custodians, although LPL Financial may agree to waive this fee for certain dually registered persons. This arrangement presents a conflict of interest because the Registrant and its dually registered persons have a financial incentive to recommend that clients maintain their accounts with LPL Financial rather than with another broker-dealer/ custodian to avoid incurring the oversight fee.

#### D. BENEFITS RECEIVED BY THE REGISTRANT'S PERSONNEL

LPL Financial makes available to the Registrant various products and services designed to assist the Registrant in managing and administering client accounts. Many of these products and services may be used to service all or a substantial number of the Registrant's accounts, including accounts not held with LPL Financial. These include software and other technology that provide access to client account data (such as trade confirmation and account statements); facilitate trade execution (and aggregation and allocation of trade orders for multiple client accounts); provide research, pricing information and other market data; facilitate payment of the Registrant's fees from its clients' accounts; and assist with back-office functions; recordkeeping and client reporting.

LPL Financial also makes available to the Registrant other services intended to help the Registrant manage and further develop its business. Some of these services assist the Registrant to better monitor and service program accounts maintained at LPL Financial, however, many of these services benefit only the Registrant, for example, services that assist the Registrant in growing its business. These support



services and/or products may be provided without cost, at a discount, and/or at a negotiated rate, and include practice management-related publications; consulting services; attendance at conferences and seminars, meetings, and other educational and/or social events; marketing support; and other products and services used by the Registrant in furtherance of the operation and development of its investment advisory business.

Where such services are provided by a third party vendor, LPL Financial will either make a payment to the Registrant to cover the cost of such services, reimburse the Registrant for the cost associated with the services, or pay the third party vendor directly on behalf of the Registrant.

The products and services described above are provided to the Registrant as part of its overall relationship with LPL Financial. While as a fiduciary the Registrant endeavors to act in its clients' interest at all times, the receipt of these benefits creates a conflict of interest because any advice from the Registrant's representative that leads clients to custody their assets at LPL Financial is based in part on the benefit to the Registrant of the availability of the foregoing products and services and not solely on the nature, cost or quality of custody or brokerage services provided by LPL Financial. The Registrant's receipt of some of these benefits may be based on the amount of the Registrant's advisory assets custodied on the LPL Financial platform. The receipt of some of these benefits by a dually registered person is based on that person's relationship with LPL Financial and is provided to him or her through his or her role as a registered representative of LPL Financial.

#### E. TRANSITION ASSISTANCE BENEFITS

LPL Financial provides various benefits and payments to dually registered persons that are new to the LPL Financial platform to assist the dually registered person with the costs (including foregone revenues during account transition) associated with transitioning his or her business to the LPL Financial platform (collectively referred to as "Transition Assistance"). The proceeds of such Transition Assistance payments are intended to be used for a variety of purposes, including

but not necessarily limited to, providing working capital to assist in funding the dually registered person's business, satisfying any outstanding debt owed to the dually registered person's prior firm, offsetting account transfer fees (ACATs) payable to LPL Financial as a result of the dually registered person's clients transitioning to LPL Financial's custodial platform, technology set-up fees, marketing and mailing costs, stationery and licensure transfer fees, moving expenses, office space expenses, staffing support and termination fees associated with moving accounts.

The amount of the Transition Assistance payments are often significant in relation to the overall revenue earned or compensation received by the dually registered person at his or her prior firm. Such payments are generally based on the size of the dually registered person's business established at his or her prior firm and/or assets under custody on the LPL Financial. Please refer to the relevant Part 2B Brochure Supplement for more information about the specific Transition Payments a specific dually registered person is receiving.

Transition Assistance payments and other benefits are provided to dually registered persons in their capacity as registered representatives of LPL Financial. However, the receipt of Transition Assistance by such dually registered persons creates a conflict of interest relating to the Registrant's advisory business because it creates a financial incentive for the Registrant's representatives to recommend that its clients maintain their accounts with LPL Financial. In certain instances, the receipt of such benefits is dependent on a dually registered person maintaining his or her clients' assets with LPL Financial, or maintaining a certain level or client assets with LPL Financial, and therefore the Registrant and its representatives have an incentive to recommend that clients maintain their account with LPL Financial in order to generate such benefits.

The Registrant attempts to mitigate these conflicts of interest by evaluating and recommending that clients use LPL Financial's services based on the benefits that such services provide to our clients, rather than the Transition



Assistance earned by any particular dually registered persons. The Registrant considers LPL Financial's historical relationship with the Registrant, financial strength, reputation, execution capabilities, pricing, research, and service when recommending or requiring that clients maintain accounts with LPL Financial. The Registrant does not receive any part of the Transition Assistance paid to dually registered persons, but the Registrant benefits from the Transition Assistance paid by LPL Financial to dually registered persons because the payment of such Transition Assistance increases the Registrant's ability to attract new dually registered persons and thereby increase its assets under management. However, clients should be aware of this conflict and take it into consideration in making a decision whether to engage the Registrant for investment advice and whether to custody their assets in a brokerage or advisory account at LPL Financial.

The Registrant has provided Transition Assistance to registered persons in the form of forgivable loans conditioned on the registered person remaining with the Registrant to obtain the full value of the loan forgiveness. The opportunity for loan forgiveness presents a conflict of interest by presenting a financial incentive for the registered person to remain with the Registrant whether or not it is advantageous to his clients.

#### F. SCHWAB INSTITUTIONAL INTELLIGENT PORTFOLIOS

In addition to the Registrant's portfolio management and other services, the Schwab IIP Program includes the brokerage services of CS&Co, a broker-dealer registered with the Securities and Exchange Commission and a member of FINRA and SIPC. While clients are required to use CS&Co as broker-dealer/custodian to enroll in the Schwab IIP Program, the client decides whether to do so and opens the account with CS&Co by entering into an account agreement directly with CS&Co. The Registrant does not open the account for the client. If the client does not wish to place his or her assets with CS&Co, then the Registrant cannot manage the client's account through

the Schwab IIP Program. As described in the Schwab IIP Program Disclosure Brochure, SWIA may aggregate purchase and sale orders for ETFs across accounts enrolled in the Schwab IIP Program, including both accounts for the Registrant's clients and accounts for clients of other independent investment advisory firms using the Schwab IIP Program.

Schwab Advisor Services (formerly called Schwab Institutional) is Schwab's business unit serving independent investment advisory firms like the Registrant. Through Schwab Advisor Services, CS&Co provides the Registrant and the Registrant's clients, both those enrolled in the Schwab IIP Program and the Registrant's clients not enrolled in the Schwab IIP Program, with access to its institutional brokerage services - trading, custody, reporting and related services - many of which are not typically available to CS&Co retail customers. CS&Co also makes available various support services. Some of those services help the Registrant manage or administer the Registrant's clients' accounts while others help the Registrant manage and grow the Registrant's business. CS&Co's support services described below are generally available to registered investment advisors like the Registrant and their representatives on an unsolicited basis (the Registrant does not have to request them) and at no charge to the Registrant. The availability to the Registrant of CS&Co's products and services is not based on the Registrant giving particular investment advice, such as buying particular securities for the Registrant's clients.

CS&Co's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which the Registrant might not otherwise have access or that would require a significantly higher minimum initial investment by the Registrant's clients. CS&Co's services described in this paragraph generally benefit the client and the client's account.

CS&Co also makes available to the Registrant other products and services that benefit the





Registrant but may not directly benefit the client or its account. These products and services assist the Registrant in managing and administering the Registrant's clients' accounts. They include investment research, both Schwab's own and that of third parties. The Registrant may use this research to service all or some substantial number of the Registrant's clients' accounts, including accounts not maintained at CS&Co. In addition to investment research, CS&Co also makes available software and other technology that:

- provide access to client account data (such as duplicate trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide pricing and other market data;
- facilitate payment of the Registrant's fees from the Registrant's clients' accounts; and
- assist with back-office functions, recordkeeping and client reporting.

CS&Co also offers other services intended to help the Registrant manage and further develop the Registrant's business enterprise. These services include:

- educational conferences and events
- technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants and insurance providers.

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

The availability of services from CS&Co benefits the Registrant because the Registrant does not have to produce or purchase them. The Registrant does not have to pay for these services, and they are not contingent upon the Registrant committing any specific amount of business to CS&Co in trading commissions or assets in custody. With respect to the Schwab IIP Program, as described above under Item 4 Advisory Business, the Registrant does not pay SWIA fees for its services in connection with the Schwab IIP Program so long as the Registrant maintains \$100 Million in client assets in accounts at CS&Co that are not enrolled in the Schwab IIP Program. In light of the Registrant's arrangements with Schwab, the Registrant may have an incentive to recommend that the Registrant's clients maintain their accounts with CS&Co based on the Registrant's interest in receiving Schwab's services that benefit the Registrant's business rather than based on the client's interest in receiving the best value in custody services and the most favorable execution of transactions. This is a potential conflict of interest. As part of its fiduciary duties to clients, the Registrant endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by the Registrant or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the Registrant's choice of CS&Co for custody and brokerage services.

#### G. TD AMERITRADE

As disclosed above, the Registrant participates in TD Ameritrade's institutional customer program and may recommend TD Ameritrade to clients for custody and brokerage services. There is no direct link between the Registrant's participation in the TD Program and the investment advice it gives to its clients, although the Registrant receives economic benefits through its participation in the TD Program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading



desk serving the Registrant participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to the Registrant by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by the Registrant's related persons. Some of the products and services made available by TD Ameritrade through the TD Program may benefit the Registrant but may not benefit its client accounts. These products or services may assist the Registrant in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help the Registrant manage and further develop its business enterprise. The benefits received by the Registrant or its personnel through participation in the TD Program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, the Registrant endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by the Registrant or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the Registrant's choice of TD Ameritrade for custody and brokerage services.

#### H. RISKALYZE AUTOPILOT

The Registrant uses Riskalyze Autopilot technology to help us organize, document and calculate the trades necessary to implement investment decisions for sets of accounts. Riskalyze offers discounts on their services when a certain level of assets are invested with certain asset management firms or in certain mutual funds. These discounts create an incentive for the

Registrant to invest with those asset management firms or in those mutual funds. The availability of the discounts creates a conflict of interest because the Registrant may invest client assets to obtain the discounts, and the discounts do not directly benefit the client whose assets are being invested. The Registrant participates in Riskalyze's "No Platform Fee" discount program and will receive discounts on its technology expense from Riskalyze through its participation in the program. Without the discounts, the Registrant would be responsible for the expense of this technology. The receipt of the discounts creates a financial incentive for the Registrant to recommend certain asset management firms or certain mutual funds to obtain the discounts over others that could have lower expenses or better performance. This financial incentive creates a conflict of interest.

### Item 13 Review of Accounts

- A. For those clients to whom Registrant provides investment supervisory services, account reviews are conducted on an ongoing basis by the Registrant and its representatives. All investment supervisory clients are advised that it remains their responsibility to advise the Registrant 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 the Registrant on an annual basis.
- B. The Registrant may conduct account reviews on an other-than-periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. 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. The Registrant may also provide a written periodic report summarizing account activity and performance.

### Item 14 Client Referrals and Other Compensation



- A. As referenced in Item 12.A.1 above, the Registrant may receive an indirect economic benefit from LPL Financial. The Registrant, without cost (and/or at a discount), may receive support services and/or products from LPL Financial. Registrant's clients do not pay more for investment transactions effected and/or assets maintained at LPL Financial as a result of this arrangement. There is no corresponding commitment made by the Registrant to LPL Financial or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement. Other broker-dealers, such as Schwab and TD Ameritrade, may also provide similar indirect economic benefits, support services and products, and do not require higher payments or fees or minimums. The Registrant's Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.
- B. If a client is introduced to the Registrant by either an unaffiliated or an affiliated solicitor, Registrant may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from the Registrant's investment management fee, and shall not result in any additional charge to the client. If the client is introduced to the Registrant by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of his/ her/its solicitor relationship, and shall provide each prospective client with a copy of the Registrant's written disclosure document and with a copy of the written disclosure statement disclosing the terms of the solicitation arrangement between the Registrant and the solicitor, including the compensation to be received by the solicitor from the Registrant.
- C. If the Registrant introduces a client to another investment advisor or an investment manager, the Registrant may be paid a referral or solicitor fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid according to a fee disclosure statement provided to the client at the time that the referral is made. When the Registrant is acting as an unaffiliated solicitor, the Registrant, at the time of the solicitation, shall disclose the nature of its solicitor relationship, and shall provide each prospective client with a copy of the Registrant's written disclosure documents and with a copy of a written disclosure statement disclosing the terms of the solicitation arrangement between the Registrant and the investment advisor or investment manager, including the compensation to be received by the Registrant.
- D. The Registrant and its dually registered persons have a financial incentive to join and remain affiliated with LPL Financial and to recommend that clients establish accounts with LPL Financial through the provision of Transition Assistance (discussed in Item 12 above). LPL Financial also provides other compensation to the Registrant and its dually registered persons, including but not limited to, bonus payments, forgivable and non-forgivable loans, stock awards and other benefits. This compensation may be based on participation in advisory programs sponsored by LPL Financial and derived from advisory fees paid to LPL Financial.
- The receipt of any such compensation creates a financial incentive for your representative to recommend LPL Financial as custodian for the assets in your advisory account and as advisory program sponsor. We encourage you to discuss any such conflicts of interest with your representative before making a decision to custody your assets at LPL Financial and utilize an LPL Financial advisory program.

### Item 15 Custody

The Registrant does not have custody of client funds or securities—except in the circumstances detailed below. All client investment funds are held by a custodian in accounts identified individually to the client and about which the client will receive



regular statements. Any funds being deposited for investment should be payable to the custodian where the account is held, not to the Registrant or one of its investment advisor representatives. Although consolidating client assets in an omnibus account could create some marketplace advantages, the Registrant has determined to adopt a policy of using individual client accounts at an independent custodian to provide greater security and transparency to its clients.

Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer, custodian or program sponsor for the client accounts. The Registrant has the ability to have its advisory fee for each client debited by the custodians on a quarterly basis. Where the Registrant has the ability to have its fees debited in this manner, it is deemed to have custody, but is not subject to surprise audit. In some cases, payment of fees may be made directly to the Registrant by clients, but never to investment advisor representatives.

The Registrant may also provide a written periodic report summarizing account activity and performance. Please Note: To the extent that the Registrant provides clients with periodic account statements or reports, clients are urged to compare any statement or report provided by the Registrant with the account statements received from the account custodian. Please Also Note: The account custodian does not verify the accuracy of the Registrant's advisory fee calculation.

PLEASE NOTE Schwab Institutional Intelligent Portfolios. Under government regulations, the Registrant is deemed to have custody of a client's assets if the client authorizes the Registrant to instruct CS&Co to deduct the Registrant's advisory fees directly from the client's account. Because the Registrant has the ability to have its fees deducted in this manner from Schwab IIP Program accounts, it is deemed to have custody, but is not subject to surprise audit. This is the case for accounts in the Schwab IIP Program. CS&Co maintains actual custody of clients' assets. Clients receive account statements directly from

CS&Co at least quarterly. They will be sent to the email or postal mailing address the client provides to CS&Co. Clients should carefully review those statements promptly when received. The Registrant also urges clients to compare CS&Co's account statements to any periodic portfolio reports clients may receive from the Registrant.

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

- The client provides an instruction to the qualified custodian, in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.
- The client authorizes the investment advisor, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
- The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization, and provides a transfer of funds notice to the client promptly after each transfer.
- The client has the ability to terminate or change the instruction to the client's qualified custodian.
- The investment advisor has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
- The investment advisor maintains records



showing that the third party is not a related party of the investment advisor or located at the same address as the investment advisor.

- The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

### Item 16 Investment Discretion

The client can determine to engage the Registrant to provide investment advisory services on a discretionary basis. Prior to the Registrant assuming discretionary authority over a client's account, the client executes an Investment Advisory Agreement, naming the Registrant as the client's agent and attorney-in-fact, granting the Registrant full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account. Clients who engage the Registrant on a discretionary basis may, at any time, impose restrictions, in writing, on the Registrant's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe the Registrant's use of margin, etc.).

### Item 17 Voting Client Securities

- A. The Registrant does not vote client 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.

- B. 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 18 Financial Information

- A. The Registrant is not required to include its balance sheet for the most recent fiscal year.
- B. The Registrant is unaware of any financial condition that is likely to impair its ability to meet its commitments to clients.
- C. The Registrant has not been the subject of a bankruptcy petition.

## ANY QUESTIONS?

The Registrant's Chief Compliance Officer, James Hooks, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements. Should a client or prospective client have any questions, please contact Mr. Hooks at (973) 538-7010.