



## Optivise Advisory Services, LLC

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Form ADV Part 2A Brochure

March 25, 2024



## Form ADV Part 2A Brochure

Optivise Advisory Services, LLC, is an investment advisor registered with the Securities and Exchange Commission (hereinafter "SEC"). An "investment advisor" means any person who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities, or who, for compensation and as part of a regular business, issues or promulgates analyses or reports concerning securities. Registration with the SEC or any state securities authority does not imply a certain level of skill or training.

This brochure provides information about the qualifications and business practices of Optivise Advisory Services, LLC. If you have any questions about the contents of this brochure, please contact us at (855) 378-1806. 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 Optivise Advisory Services, LLC, is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) The Firm's SEC number is 801-115232.

### Item 2 Material Changes

The purpose of this page is to inform you of any material changes since the previous version of this brochure.

Optivise Advisory Services, LLC has discontinued sponsoring a Wrap Fee Program.



## Item 3

## Table of Contents

Item 1	Cover Page	1
Item 2	Material Changes	2
Item 3	Table of Contents	3
Item 4	Advisory Business	4
Item 5	Fees and Compensation	8
Item 6	Performance-Based Fees and Side-By-Side Management	14
Item 7	Types of clients	15
Item 8	Methods of Analysis, Investment Strategies, and Risk of Loss	15
Item 9	Disciplinary Information	24
Item 10	Other Financial Industry Activities and Affiliations	24
Item 11	Code of Ethics, Participation, or Interest in client Transactions and Personal Trading	27
Item 12	Brokerage Practices	28
Item 13	Review of Accounts	30
Item 14	Client referrals and Other Compensation	31
Item 15	Custody	32
Item 16	Investment Discretion	32
Item 17	Voting Client Securities	33
Item 18	Financial Information	34
Item 19	Miscellaneous	34



## Item 4

## Advisory Business

Optivise Advisory Services (hereinafter “Advisor”) is a registered investment advisor with registered offices in Franklin, Tennessee and Hot Springs, Arkansas. We are a limited liability company organized under the laws of the State of Delaware. Advisor has been offering advisory services since 2019. The owners are Allen P. Hargis, Michael R. Wallin, and Cory S. Colquette.

The term “Associated Person”, as used throughout this brochure refers to anyone from our Firm who is an officer, employee, and all individuals who are registered with Advisor to provide advisory services on behalf of Advisor. Where required, such persons are properly licensed or registered as Investment Adviser Representatives (“IAR”) of Advisor in all required jurisdictions.

Before engaging the Advisor to provide Asset Management or Financial Planning Services, the client is required to enter into one or more written agreements with the Advisor, setting forth the terms and conditions under which the Firm will provide its services (collectively the “Agreement”). Per applicable laws and regulations, the Advisor and/or our Associated Persons will provide the Firm's Form ADV 2A (this brochure), the IAR's personalized ADV Part 2B brochure, Form ADV Part 3A (CRS), and Privacy Policy to each client, or prospective client, before, or contemporaneously, with the investment advisory agreement. If the Form ADV Part 2A is not delivered at least 48 hours before the client enters into an Agreement, the client shall have the right to terminate the contract within five (5) business days after entering into the Agreement without incurring an advisory fee on assets under management. Upon termination of the Agreement at any time, any fees paid in advance will be prorated to the date of termination and any excess will be refunded to the client.

Neither the Advisor nor the client(s), who are considered the parties of the Agreement, may assign the Agreement to a third party without the consent of the other party. Transactions that do not result in a change of actual control or management of the Advisor shall not be considered an assignment. The Advisor will provide asset management services and financial planning services but will not provide custody or other custodial administrative services. At no time, will the Advisor accept or maintain custody of a client's funds or securities. The client is financially responsible for all custodial and securities execution (buys and/or sells) fees charged by the custodian and executing Broker/Dealer. Please refer to the Brokerage Practices section (Item 12) below for more information.



## **Establishing Advisory Services**

Before the Advisor officially begins an Advisor-client relationship by executing an Agreement, the Advisor may offer a complimentary general consultation to discuss services available, give a prospective client time to review the services desired and decide whether a relationship is beneficial to the client. Investment advisory services begin only after the Advisor and the client formalize the relationship with a properly executed client Agreement or Financial Planning Agreement. Per applicable laws and regulations, the Advisor will provide either in paper or electronically this brochure (ADV 2A) along with the IAR's ADV Part 2B and the Advisor's Customer Relationship Summary (ADV Part 3) to each client or prospective client before or contemporaneously with the execution of a client Agreement. Advisor offers a variety of services to individuals, high-net-worth individuals, pension and profit-sharing plans, financial institutions, trusts, estates, charitable organizations, and other appropriately registered investment advisors.

Neither the Advisor nor the client may assign a client Agreement to a third-party without the prior written consent of the other party. Transactions that do not result in a change of actual control or management of the Advisor shall not be considered an assignment.

## **Types of Services Offered**

### **Investment Supervisory Services**

The Advisor will not assume any responsibility for the accuracy of information provided by the client and is not obligated to verify any information received from the client or the client's other professionals and is expressly authorized to rely on such information. Under all circumstances, clients are responsible for promptly notifying the Advisor in writing of any material changes to the client's financial situation, investment goals, time horizon, and/or risk tolerance. When an IAR and/or the Advisor is notified by the client of such a change, the firm will review such changes and recommend any necessary changes to the client's portfolio. Advisor offers ongoing portfolio management services based on the client's goals, objectives, time horizon, and risk tolerance.

For its discretionary asset management services, Advisor receives a limited power of attorney to affect securities transactions on behalf of its clients. Advisor generally limits its investment advice and/or money management to mutual funds, exchange-traded funds, equities, bonds, options, real estate investment trusts, equity-based options, insurance products, government securities, and cash or cash equivalents. The Advisor may use other securities or investment products to help diversify a portfolio.



clients of the Advisor may be offered model portfolios that are managed internally, by separate account managers, or through a third-party money manager, also known as a sub-advisor, in which the Advisor engages on behalf of the client. The management services may be delegated to various sub-advisors who will manage, select which securities to buy or sell, or how much of a particular security to buy or sell, and may select specific portfolios for use by the Advisor in an asset allocation strategy. All transactions are placed on a discretionary basis.

Advisor or sub-advisor(s) may use one or more of their model portfolios to manage a client's account. Advisor continuously monitors the performance of accounts managed internally and by the sub-advisor(s) and will exercise its discretionary authority to hire or fire the sub-advisor(s) when such action is believed to be in the best interest of the client(s). Clients are expected to notify the Advisor promptly of any changes in their financial situation, investment goals, or account restrictions so that any needed allocation changes may be promptly implemented.

Advisor may compensate sub-advisors via a fee-sharing agreement and this relationship is memorialized in each contract between Advisor and the sub-advisor. The fee share will not exceed any limits imposed by any regulatory agency. Please note the Advisor may recommend the use of sub-advisors that are owned in whole or in part by owners of the Advisor or that provide non-monetary support to the Firm. Additional information on this conflict is outlined in Item 11 and Item 14.

### **Wrap Fee Program**

Advisor does not offer a Wrap Fee Program. For specific legacy (prior to March 2023) clients, the Advisor participates as a solicitor for various money managers that may offer a Wrap Fee Program. In these limited cases, the Advisor may participate as a solicitor in the money manager's Wrap Fee Program.

### **Financial Planning Services**

Advisor offers clients financial planning or consulting services to evaluate their financial situation, goals, and risk tolerance. Through a series of personal interviews and the use of questionnaires, the Advisor's IARs will collect pertinent data, identify goals, objectives, financial problems, potential solutions, prepare specific recommendations, and implement recommendations. Because of these actions, advice may be provided on financial and cash management, risk management, and financial issues relating to divorce or marital issues, estate planning, tax issues, IRA planning, investment



planning/asset allocation, retirement planning, educational funding, goal setting, or other needs as identified by the client and investment advisor representative. The Firm may offer broad-based planning services that involve a written financial plan, or the client may desire consulting on certain planning topics that do not involve a written financial plan. The Firm can tailor services as desired by the client. These services are based on fixed fees or hourly fees. The final fee structure for these services is documented in the Financial Planning Agreement.

In offering financial planning, a conflict exists between the interests of the investment advisor and the interests of the client. The client is under no obligation to act upon the Associated Person's recommendation, and, if the client chooses to act on any of the recommendations, the client is under no obligation to affect the transaction through the Associated Person. This statement is required by the California Code of Regulations, 10 CCR Section 260.235.2.

### **ERISA Plan Services**

Advisor provides services to qualified and non-qualified retirement plans, including but not limited to, 401(k) plans, 403(b) plans, pension, profit-sharing plans, cash balance plans, and deferred compensation plans. Advisor will only act as a 3(21), limited scope, fiduciary.

### **Advice for Employer-Sponsored Defined Contribution Plan**

The Advisor could offer a client, through a separate co-advisory agreement, personalized and ongoing non-discretionary advice and management for assets held within the client's employer's defined contribution plan, using the available investment options within the employer's plan. Enrolled clients will receive personalized and ongoing investment advice for the enrolled account(s) via an online 'dashboard'.

The Advisor's co-advisory partner is an "internet-only" investment adviser registered with the SEC and is unaffiliated with the Advisor or its Associated Persons. At or before entering into the co-advisory agreement, the Advisor will deliver electronically to the client a copy of the co-advisor's ADV Part 2A and other required disclosure documents. The required disclosure documents are also available on-demand through the co-advisory partner's online dashboard.

### **Assets Under Management (as of December 31, 2023)**

Optivise manages \$254,523,042 of client assets on a discretionary basis, and \$0 in client assets on a non-discretionary basis.



## Item 5

## Fees and Compensation

### Financial Planning Services Fees

Advisor charges fixed fees and/or hourly fees for financial planning services. Advisor uses the following financial planning fee schedules:

*Fixed Fees:* Advisor may charge a fixed fee of up to \$10,000.00, for broad-based planning services. For example, a client with limited assets who hires the Firm for retirement planning may only pay a fee of \$1,000.00, while a client with a complex financial situation who hires the Firm for a broad-based plan that includes a retirement plan, insurance review, tax planning, estate planning, cash flow planning, and education goal planning may pay a fee of \$10,000.00. *In limited circumstances*, the total cost could potentially exceed \$10,000.00. In these cases, we will notify the client and may request that the client pay an additional fee.

Certain Associated Persons of Advisor may assist other financial professionals, attorneys, CPAs, etc., engaged by the client, by collecting and providing client financial data and performing certain administrative functions on behalf of the engaged financial professional. Advisor may receive compensation for the performance of these duties. It is expected that any other professional being hired by the client will show in an itemized bill to the client any compensation received by the Advisor.

Fees for services provided by Non-Associated Persons or engaged external financial professionals should be made out directly to those individuals or their Firm, and not to the Advisor or Associated Persons. Certain external advisers to the Advisor may also be licensed as a financial professional, CPA, EA, etc. A client may choose to engage these external professionals in this additional role but is not required to do so. Any payment made by the client to a professional for services performed in this separate role is separate and distinct from fees paid for Advisor services. External professionals offering services as separate financial professionals are doing so independently of the Advisor.

*Hourly Fees:* The Advisor through their Associated Persons charges an hourly fee of up to \$500 for clients who request specific services (such as a modular plan or hourly services) and do not want a broad-based written financial plan.

Before engaging the Advisor to provide financial planning services, the client must enter into a written agreement with the Advisor. The Financial Planning Agreement will set forth the terms and conditions of the engagement and describe the scope of the services to be provided and the portion of the fee that is due from the client. Generally, the Advisor requires a prepayment





of up to 50% of the fee with the remaining balance due upon completion of the agreed-upon services. For Financial Planning Services that will not be completed within six months, the Advisor does not require a prepayment of more than \$1,200 for services. Hourly fees charged for specific services are payable as invoiced. All fees for financial planning services must be made payable to Optivise Advisory Services, LLC.

Either party may terminate the Financial Planning Agreement by written notice. The process to terminate the Financial Planning Agreement is outlined in the agreement document itself. In the event the client terminates the Advisor Financial Planning Agreement, the balance of unearned hourly fees (if any) shall be refunded to the client within 15 business days from receipt of the written termination request.

### **Advice and Services for Employer-Sponsored Defined Contribution Plans**

clients who enroll in this service may be charged a monthly recurring fee of between \$30.00 to \$200.00 per account. The fee is collected through an automated billing system created by the Advisor's co-advisory partner and Stripe, Inc. (a third-party payment processor). The client pays this fee via a credit or debit card that is kept on the Stripe system. The client may cancel this fee and terminate this service through the Stripe system at any time, for any reason. The Advisor partners with a third-party Investment Advisor to assist in delivering this service to clients. The Advisor compensates the co-advisory partner based on subscription fees generated.

### **Portfolio Management Services**

If you decide to engage the Advisor for portfolio management services, we will charge an annual fee based on a percentage of the market value of the assets being managed. Our fee for these services is outlined in the following schedules:

Non-Options-Based Account:	Maximum annualized fee 1.80%
Options-based Account:	Maximum annualized fee 1.95%

Please note that our fees may be reduced based on individual circumstances. The fee paid by the client(s) will be reflected in the custodian's monthly or quarterly statement. Neither the Advisor nor its Associated Persons, at their discretion, have the authority to increase the maximum annualized fee schedules. IAR compensation is either the remainder of the annual advisory fee after platform fees, Advisor fees, sub-advisory fees, and custodial fees are satisfied or as a percentage payout agreed upon between the Advisor and the IAR of the total advisory fees charged to the client.

Fees may be deducted by the custodian, a third-party designated service provider, or internal



operations at Advisor under the terms of the Advisory agreement signed by both the client and Advisor. Fees are billed monthly in arrears from client(s) accounts and are based on the average daily balance of the account(s) during the preceding month. The client may direct the custodian or designated service provider to debit advisory fees from one specific account for all accounts managed by the Advisor. If sufficient cash is not available to pay fees, securities in an amount equal to or necessary to satisfy the balance of the unpaid fees will be sold. If securities are sold in certain types of accounts, the transaction may cause a taxable event. The advisor may change the Advisory fee at any time upon 30 days written notice to the client. In the event the client has an ERISA-governed plan, the fee modification must be approved in writing by the client. If a designated service provider is used to deduct Advisor's fee, the client will authorize this by signing a limited power of attorney (LPOA) authorizing this action and the LPOA will be remitted to the client's custodian.

Advisory fees are generally deducted directly from the client's account and the client must provide authorization to the custodian or service provider. The qualified custodian holding the client's funds and securities will send the client an account statement not less than quarterly. This statement will detail account activity. Please review each statement for accuracy. The Advisor will have access to a copy of the client's account statements from the custodian. The client(s) is/are responsible for reviewing and notifying the Advisor if they have any question(s) about the accuracy of the fee calculation. If the client has any questions or concerns about their custodial statement or the fees associated with their Advisor account, they should immediately contact their Associated Person or Advisor. The contact information for the Advisor's compliance department is provided on the cover page of this Brochure. The client may instruct the Advisor to debit advisory fees for multiple accounts from one specific account. Such instructions must be sent to the Advisor in writing and will remain in force until revoked by the client in writing.

Under unique and severe circumstances, the Advisor may allow clients to be directly billed for advisory fees. If such an arrangement is authorized, the client will receive a monthly invoice for the previous month's advisory services. The invoice is due upon receipt. Unpaid invoices of more than 30 calendar days may result in the Advisor terminating its advisory relationship with the client(s).

All fees paid for investment advisory services are in addition to, and separate and distinct from, the fees and expenses charged by exchange-traded funds, mutual funds, third-party money managers, Broker/Dealers, and/or custodians hired by or on behalf of the client. Such fees and expenses are described in each exchange-traded fund and mutual fund's prospectus, each third-party money manager's Form ADV Brochure or similar disclosure document, and by any Broker/Dealer hired by/for the client. If a mutual fund also imposes sales charges, a client may incur an initial or deferred sales charge as described in the mutual fund's prospectus. A client



using Advisor may be precluded from using certain mutual funds or separate account managers because they may not be offered by the selected custodian(s).

For specific legacy (prior to March 2023) clients, the Advisor participates as a solicitor for various money managers that may offer a Wrap Fee Program. In these limited cases, the Advisor may participate as a solicitor in the money manager's Wrap Fee Program.

Each custodian, third-party administrator, or similar party contracted by the Advisor to perform certain administrative functions on the client's account may be compensated out of the client's account for services performed. (e.g., annual account fee, wire fee, return check fee, etc.) These service fees are established by each entity. The Advisor does not share in any portion of these fees. Because these fees are subject to change without our knowledge or consent, a listing is not published in this document. If you would like to obtain a listing of these fees, please contact your Associated Person or the Advisor.

Advisor or its Associated Persons may have an incentive to recommend one sub-advisor over another sub-advisor with whom it has less favorable compensation arrangements or other advisory programs offered by sub-advisors with which it has no compensation arrangements. To address this conflict, the Firm has adopted a Code of Ethics that obliges all associated persons to deal fairly with all clients when taking investment action, uphold their fiduciary duty and put the client's interest first. Clients do not have to use the services of any sub-advisor we recommend.

Certain fees charged to a client by the Advisor may be reduced under individual circumstances, based on the number of assets under management, the complexity of client goals and objectives, and the level of services provided. As described above, the fees are charged based on assets under management, calculated monthly in arrears at the set fee schedule, and are not based on a share of capital gains or capital appreciation of the funds or investment solution recommended to a client.

Please note that all custodial trading fees are assessed directly by the custodian. The trading fee is assessed per transaction and is based on the type of security that is being bought or sold. Custodians may offer a discount on buy and sell transactions when a client selects to receive electronic statements and trade notifications instead of being mailed a paper copy. For more information on this matter, please contact your Associated Person.

Advisor may assess an annual account technology fee of up to \$100 per account, annually. This



fee is a direct passthrough of the expenses associated with providing account aggregation, reporting, and other technology services.

Important Disclosure – Custodian Investment Programs: Please be advised that the Firm utilizes AXOS Advisor Services (“AXOS”) PKA E\*TRADE Advisory Services (“EAS”), Altruist Financial, LLC (“Altruist”), Matrix Trust Company (“Matrix”), Fidelity Institutional Wealth Services (“Fidelity”), and Charles Schwab and Company Inc (“Schwab”) as its primary custodians, which are described in detail under in this brochure. Under these arrangements, we can access a wide range of investment programs offered by our custodian, which may create conflicts of interest through certain compensation and fees.

Please note that the Firm only offers its advisory services through accounts custodied or held at AXOS, Fidelity, Altruist, Schwab, and Matrix (403b (9) accounts only). Any product that may be presented and/or offered to you as an investment, excluding precious metals that are client-custodied, which are not held at one of our approved custodians and have not been reviewed or approved by the Firm. For information on these types of products, you should contact the sponsoring company directly to decide if it is a suitable product for your situation as the Firm has not reviewed or approved these products.

Please note the following:

Limitation on Mutual Fund Universe for Custodian Investment Programs: As a matter of policy, we prohibit the receipt of revenue share fees, 12b-1 fees, from any mutual funds used for our advisory clients’ portfolios.

12b-1 fees are an annual marketing or distribution fee on a mutual fund. The 12b-1 fee is considered an operational expense and is included in the fund’s expense ratio.

If the Firm decides to take these 12b-1 fees in the future for our advisory client’s portfolios, please note the following: There are certain programs offered by our custodian in which the Firm participates that limit the types of mutual funds and mutual fund share classes to those in which our custodian has negotiated the receipt of 12b-1 and/or other revenue sharing fee payments from the mutual fund issuer or sponsor. As such, a client’s investment options may be limited to those mutual funds and/or mutual fund share classes that pay 12b-1 fees and other revenue-sharing fee payments, and the client should be aware that the Firm is not selecting from among all mutual funds available in the marketplace when recommending mutual funds to the client. Such fees are deducted from the Net Asset Value of the mutual fund and generally, all things being equal, cause the fund to earn lower rates of return than those mutual funds that do not pay revenue-sharing fees. The client is under no obligation to use such programs or mutual funds. Although many factors will influence the type of fund to be used, the client should discuss with their IAR whether a share class from a comparable mutual



fund with a more favorable return to investors is available that does not include the payment of any 12b-1 or revenue sharing fees given the client's individual needs and priorities and expected transaction costs. Additionally, the receipt of such fees can create conflicts of interest in instances.

Where our IAR is also licensed as a registered representative of a broker-dealer and receives a portion of 12b-1 and or revenue sharing fees as compensation – such compensation creates an incentive for the IAR acting in their role as a representative of a broker-dealer to use programs that use funds that pay such additional compensation. Where the broker-dealer receives the entirety of the 12b-1 and/or revenue-sharing fees and considers the receipt of such fees in terms of benefits it may elect to provide to the Firm, such benefits may or may not help some or all the Firm's clients.

### **Regulatory Fees**

To pay for the execution of trades, regulatory Trading Activity Fees (TAF) may be added to certain applicable sales transactions. The Securities and Exchange Commission (SEC) regulatory fee is assessed on client accounts for sell transactions, and a FINRA fee is assessed on client accounts for sell transactions, for certain covered securities. All custodians recommended by the Advisor are FINRA members. These fees recover the costs incurred by the SEC and FINRA, for supervising and regulating the securities markets and securities professionals. The fee rates vary depending on the type of transaction and the size of that transaction. Trading Activity Fees rates, though subject to change, are \$0.000119 per share for each sale of a covered equity security, with a maximum of \$5.95 per trade, \$0.002 per contract for each sale of an option, \$0.00075 per bond for each sale of a covered bond with a maximum charge of \$0.75 per trade. All charged fees will be rounded to the nearest penny using natural rounding logic. For a rounding example, \$0.004 rounds to \$0.00, and \$0.016 rounds to \$0.02. As an example of an equity TAF, if 100 shares of a covered equity were sold, the fee would be \$0.000119 x 100 which equals \$0.0119, which would be rounded to \$0.01. For more information on the SEC and FINRA fees, please visit their websites:

<https://www.sec.gov/fast-answers/answerssec31htm.html>

<http://www.finra.org/industry/trading-activity-fee>

Please note that any TAF fees collected are not retained by the Advisor or custodian but are only collected by the custodian and remitted to the SEC or FINRA.

### **External Compensation for the Sale of Securities to Clients**

Advisor's IARs are compensated primarily by the Advisor in the form of a percentage of fees generated from assets they place under the Advisor's platform.

Advisor's IARs that are properly licensed may receive commission-based compensation for the



sale of insurance products and other commission-based non-advisory products. This and other potential conflicts of interest are described in this brochure.

Additionally, from time to time, Optivise initiates incentive programs for its IARs. These programs may compensate them for attracting new assets and clients promoting investment advisory services. The Advisor may also start programs that reward representatives who meet total production criteria, take part in advanced training, and/or improve client service. Representatives who take part in these incentive programs may be rewarded with cash and/or non-cash compensation, such as deferred compensation, bonuses, training symposiums, marketing support, and recognition trips. The Advisor's activities do not increase the Firm's fee.

The Advisor may pay bonuses to prospective IARs to entice them to join the Advisor and transition their current clients to the Advisor. Prospective clients should be aware this practice may be viewed as a conflict of interest in that the recommendation to transition their advisory relationship to Advisor may be viewed as being in the best interest of the Advisor and its IARs as opposed to the client. The existence of additional compensation offered to an IAR as an enticement to register through the Advisor will be disclosed to the IAR's existing clients in writing upon solicitation.

Advisor may, from time to time, enter into agreements with individuals and organizations, which may be affiliated or unaffiliated with Advisor, that refer clients to Advisor in exchange for compensation. All such agreements will be in writing and follow the requirements of Federal or State regulations. If a client is introduced to the Advisor by a solicitor, the Advisor may pay that solicitor a fee. While the specific terms of each agreement may differ, generally the compensation will be based on the Advisor's engagement of new clients and is calculated using a varying percentage of the fees paid to the Advisor by such clients. Any such fee shall be paid solely from the Advisor's investment management fee and shall not result in any additional charge to the client. Each prospective client who is referred to the Advisor under such an arrangement will receive a copy of this brochure and a separate written disclosure document disclosing the nature of the relationship between the solicitor and Advisor and the amount of compensation that will be paid by the Advisor to the solicitor. The solicitor must obtain the client's signature acknowledging receipt of the Advisor's disclosure brochure and the solicitor's written disclosure statement.

Advisor may offer, both financial and technical services, to external investment advisors access to the Advisor's portfolios through a solicitor's agreement or a sub-advisor agreement. This assistance is limited to aiding with regulatory filings and responses (through outside resources), operational assistance, case design, and favorable access to third-party product vendors that may assist them in servicing their clients.



## **Item 6**

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

Neither the Advisor nor its IARs accept performance-based fees. Performance-based fees are based on a share of capital gains on or capital appreciation of the client's assets.

## **Item 7**

## **Types of Clients**

The Advisor generally offers investment advisory services to individuals, pension and profit-sharing plans and participants, trusts, estates, charitable organizations, other investment advisors, and other business entities. Clients who wish to open an advisory account with a sub-advisor will be subject to the minimum account balance requirements imposed by the sub-advisor.

## **Item 8**

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

The following are different methods of analysis that we may use in providing you with investment advice:

**Fundamental Analysis** – fundamental analysis is a technique that attempts to determine a security's value by focusing on underlying factors that affect a company's actual business and its prospects. The term refers to the analysis of the economic well-being of a financial entity as opposed to only its price movements.

**Technical Analysis** – technical analysis is a technique that relies on the assumption that current market data (such as charts of price, volume, and open interest) can help predict future market trends, at least in the short term. It assumes that market psychology influences trading and can predict when stocks will rise or fall.

We, or a sub-advisor, may use one or more of the following investment strategies when advising you on investment and portfolio management:

**Long-Term Purchases** – securities held for more than one year. **Short**

**Term Purchases** – securities held for one year or less.



Trading – securities are sold within 30 days.

Margin Transactions – margin strategies allow an investor to purchase securities on credit and to borrow on securities already in their custodial account. Interest is charged on any borrowed funds for the period that the loan is outstanding.

Short Sales – short selling is the selling of a stock that the seller does not own. More specifically, a short sale is the sale of a security that is not owned by the seller, but that is promised to be delivered.

The investment advice provided along with the strategies we suggest will vary depending on each client's specific financial situation and goals. This brief statement does not disclose all the risks and other significant aspects of investing in financial markets. Considering the risks, the client should fully understand the nature of the contractual relationship(s) into which the client is entering and the extent of your risk exposure. Investing in securities involves the risk of loss that clients should be prepared to bear. Certain investment strategies may not be suitable for certain members of the public. The client should carefully consider whether the strategies recommended will be appropriate for them based on their experience, objectives, financial resources, and other relevant circumstances.

**General Investment Risk:** All investments come with the risk of losing money. Investing involves substantial risks, including the possibility of the complete loss of principal plus other losses, and may not be suitable for all members of the public. Investments, unlike savings and checking accounts at a bank, are not insured by any governmental agency to protect against market losses. Different market instruments carry different types and degrees of risk, and the client should familiarize themselves with the risks involved in the specific market instruments the client intends to invest in.

**Loss of Value:** There can be no assurance that a specific investment will achieve its investment objectives and past performance should not be seen as a guide to future returns. The value of investments and the income derived may fall as well as rise, and investors may not recoup the original amount invested. Investments may also be affected by any changes in exchange control regulation, tax laws, withholding taxes, international, political, and economic developments, and government, economic, or monetary policies.

**Credit risk:** This is the risk that an issuer of a bond could suffer an adverse change in financial condition that results in a payment default, security downgrade, or inability to meet a financial obligation.

**Inflation Risk:** This is the risk that inflation will undermine the performance of an investment and/or the future purchasing power of a client's assets.





**Interest rate risk:** The chance that bond prices overall will decline because of rising interest rates.

**International investing risk:** Investing in the securities of non-U.S. companies involves special risks not typically associated with investing in U.S. companies. Foreign securities tend to be more volatile and less liquid than investments in U.S. securities and may lose value because of adverse political, social, or economic developments overseas, or due to changes in the exchange rates between foreign currencies and the U.S. dollar. Foreign investments are subject to settlement practices, as well as regulatory and financial reporting standards, that differ from those of the U.S.

**Liquidity risk:** One common risk associated with private placements and Real Estate Investment Trusts (REITs) is a relative lack of liquidity due to the highly customized nature of the investment. Moreover, the full extent of returns is often not realized until maturity. Because of this, these products tend to be more of a buy-and-hold investment decision rather than a means of getting in and out of a position with speed and efficiency.

**Manager risk:** The chance that the proportions allocated to the various securities will cause the client's account to underperform relevant benchmarks or other accounts with a similar investment goal.

**Portfolio Concentration:** Accounts that are not diversified among a wide range of types of securities, countries, or industry sectors may have more volatility and are considered to have more risk than accounts that are invested in a greater number of securities because changes in the value of a single security may have more of a significant effect, either negative or positive. Accordingly, portfolios are subject to more rapid changes in value than would be the case if the client kept a more diversified portfolio.

**Stock market risk:** The chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising stock prices and periods of falling stock prices.

**Cyber Security risk:** The risk that the Advisor, custodian, service provider, or company that is contained within a client's portfolio is subject to a service disruption or loses access to key data because of a cyber-attack. Such an attack would likely reduce a company's value, resulting in a monetary loss for a client, or prevent timely access to client data which could delay execution of transactions or disbursement of funds.

- client is responsible for taking certain steps in maintaining the security of their electronic devices and email address(es). Such steps include, but are not limited to:
- Not sharing account passwords or log in credentials,



- Install, update, and continually use an antivirus and antispyware software, and
- Install all operating system updates and security alerts promptly.

Each strategy offered through Advisor invests in one or more of the following classes of securities. Each has unique risk features that should be understood.

### **Equity Securities**

Investing in individual companies involves inherent risk. The major risks related to the company's capitalization, quality of the company's management, quality and cost of the company's services, the company's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk, and the company's ability to create shareholder value (i.e., increase the value of the company's stock price). Foreign securities, in addition to the general risks of equity securities, have geopolitical risks, financial transparency risks, currency risks, regulatory risks, and liquidity risks.

### **Mutual Fund Securities**

Investing in mutual funds carries inherent risk. The major risks of investing in a mutual fund include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have growth, the amount of individual company diversification, the type and amount of industry diversification, and the type and amount of sector diversification within specific industries. Also, mutual funds tend to be tax-inefficient, and therefore investors may pay capital gains taxes on fund investments while not having yet sold the fund.

### **Exchange-Traded Funds ("ETFs")**

ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. Some examples of ETFs are SPDRs<sup>®</sup>, streetTRACKS<sup>®</sup>, DIAMONDS<sup>SM</sup>, NASDAQ 100 Index Tracking Stock<sup>SM</sup> ("QQQs SM") iShares<sup>®</sup>, and VIPERs<sup>®</sup>. The funds could purchase an ETF to gain exposure to a portion of the U.S. or foreign market. The funds, as a shareholder of another investment company, will bear their pro-rata portion of the other investment company's advisory fee and other expenses, in addition to their expenses. Investing in ETFs involves risk.

Specifically, ETFs, depending on the underlying portfolio and its size, can have a wide price (bid and ask) spread, thus diluting, or negating any upward price movement of the ETF or enhancing any downward price movement. Also, ETFs require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could harm the



price of the ETF. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral, and the liquidity of the supporting collateral. Further, the use of leverage (i.e., employing the use of margin) generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility and liquidity risk. Volatility and liquidity can severely and negatively impact the price of the ETF's underlying portfolio securities, thereby causing significant price fluctuations in the ETF.

### **Corporate Debt, Commercial Paper, and Certificates of Deposit**

Fixed-income securities carry additional risks than those of equity securities described above. These risks include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S. or foreign), and currency risk. If bonds have maturities of ten years or greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds also have liquidity and currency risk. Commercial paper and certificates of deposit are generally considered safe instruments, although they are subject to the level of general interest rates, the credit quality of the issuing bank, and the length of maturity. For certificates of deposit, depending on the length of maturity there can be prepayment penalties if the client needs to convert the certificate of deposit to cash before maturity.

### **Municipal Securities**

Municipal securities carry additional risks than those of corporate and bank-sponsored debt securities described above. These risks include the municipality's ability to raise additional tax revenue or other revenue (in the event the bonds are revenue bonds) to pay interest on its debt and to retire its debt at maturity. Municipal bonds are generally tax-free at the federal level but may be taxable in individual states other than the state in which both the investor and the municipal issuer are domiciled.

### **Corporate Debt Obligations**

Corporate debt obligations include corporate bonds, debentures, notes, commercial paper, and other similar corporate debt instruments. Companies use these instruments to borrow money from investors. The issuer pays the investor a fixed or variable rate of interest and must repay the amount borrowed at maturity. Commercial paper (short-term unsecured promissory notes) is issued by companies to finance their current obligations and normally has a maturity of less than nine months. Additionally, the Firm may also invest in corporate debt securities registered



and sold in the United States by foreign issuers (Yankee bonds) and those sold outside the U.S. by foreign or U.S. issuers (Eurobonds).

### **Variable Annuities**

Advisor offers a variable annuity model through various insurance companies. The investment selections for the variable annuity may be limited to the choices offered through the specific product. Specifics regarding the annuity are found in the annuity prospectus and application documents. Variable Annuities are long-term financial products designed for retirement purposes. In essence, annuities are contractual agreements in which payment(s) are made to an insurance company, which agrees to pay out an income or a lump-sum amount in the future. There are contract limitations and charges associated with annuities, administrative fees, and charges for optional benefits. They also may carry early withdrawal penalties and surrender charges and carry additional risks such as the insurance carrier's ability to pay claims. Moreover, variable annuities carry investment risks like mutual funds. Investors should carefully review the terms of the variable annuity contract before investing. Variable annuities use variable sub-accounts that a client may allocate a percentage of their investment to. Variable sub-account operates similarly to mutual funds, but the internal fees and expenses of variable sub-accounts are usually higher than their mutual fund counterpart.

### **Fixed and Index Annuities**

Advisor offers fixed and index annuities through various insurance companies. Specifics regarding the annuity are found in the annuity contract and application documents. Annuities are long-term financial products designed for retirement purposes. In essence, annuities are contractual agreements in which payment(s) are made to an insurance company, which agrees to pay out an income or a lump-sum amount in the future. There are contract limitations, fees, and charges associated with annuities, administrative fees, and charges for optional benefits. They also may carry early withdrawal penalties and surrender charges and carry additional risks such as the insurance carrier's ability to pay claims.

### **Margin Leverage**

Although the Advisor does not recommend the use of leverage to all clients, please be advised that if a client invests in a model that utilizes margin leverage, either through direct margin or using investments that employ margin leverage, please review the following: The use of margin leverage enhances the overall risk of investment gain and loss to the client's investment portfolio. For example, investors can control \$2 of a security for \$1. So, if the price of a security rises by \$1, the investor earns a 100% return on their investment. Conversely, if the security declines by \$.50, then the investor loses 50% of their investment. The use of



margin leverage entails borrowing which results in additional interest costs to the investor. Broker-dealers who carry customer accounts require a minimum equity requirement when clients utilize margin leverage. The minimum equity requirement is stated as a percentage of the value of the underlying collateral security with an absolute minimum dollar requirement. For example, if the price of a security declines in value to the point where the excess equity used to satisfy the minimum requirement dissipates, the broker-dealer will require the client to deposit additional collateral to the account in the form of cash or marketable securities. A deposit of securities to the account will require a larger deposit, as the security being deposited is included in the computation of the minimum equity requirement. Additionally, when leverage is utilized, and the client needs to withdraw cash, the client must sell a disproportionate amount of collateral securities to release enough cash to satisfy the withdrawal amount based upon similar reasoning as cited above. Regulations concerning the use of margin leverage are established by the Federal Reserve Board and vary if the client's account is held at a broker-dealer versus a bank custodian. Broker-dealers and bank custodians may apply more stringent rules as they deem necessary.

Certain money managers and investment models may utilize ETFs and/or mutual funds that utilize leverage, either positive or negative, as a normal part of their investment philosophy. Information on this practice may be obtained from the ETFs or mutual funds prospectus.

### **Short-Term Trading**

Although Advisor, as a general business practice, does not utilize short-term trading, there may be instances in which short-term trading may be necessary or an appropriate strategy. In this regard, please read the following: There is an inherent risk for clients who trade frequently in that high-frequency trading creates substantial transaction costs that in the aggregate could negatively impact account performance.

### **Short Selling**

Advisor generally does not engage in short selling but reserves the right to do so in the exercise of its sole judgment. Short selling involves the sale of a security that is borrowed rather than owned. When a short sale is affected, the investor is expecting the price of the security to decline in value so that the purchase or closeout of the short sale can be affected at a significantly lower price. The primary risks of effecting short sales are the availability to borrow the stock, the unlimited potential for loss, and the requirement to fund any difference between the short credit balance and the market value of the security.



## **Technical Trading Models**

Technical trading models are mathematically driven based on historical data and trends of domestic and foreign market trading activity, including various industry and sector trading statistics within such markets. Technical trading models, through mathematical algorithms, attempt to identify when markets are likely to increase or decrease and identify appropriate entry and exit points. The primary risk of technical trading models is that historical trends and past performance cannot predict future trends, and there is no assurance that the mathematical algorithms employed are designed properly, updated with new data, and can accurately predict future market, industry, and sector performance. Some market timing strategies that are employed are designed to be reactive indicators and therefore are not designed to avoid all losses.

## **Option Strategies**

Various option strategies give the holder the right to acquire or sell underlying securities at the contract strike price up until the expiration of the option. Each contract is generally worth 100 shares of the underlying security. Options entail greater risk but allow an investor to have market exposure to a particular security or group of securities without the capital commitment required to purchase the underlying security or group of securities. Additionally, options allow investors to hedge security positions held in the portfolio. For detailed information on the use of options and option strategies, please contact the Options Clearing Corporation for the current Options Risk Disclosure Statement.

Advisor as part of its investment strategy may employ the following option strategies:

- Covered call writing;
- Long call options purchases;
- Long put options purchases; and/or
- Option spreading.

## **Covered Call Writing**

Covered call writing is the sale of in-, at-, or out-of-the-money call options against a long security position held in the client portfolio. This type of transaction is used to generate income. It also serves to create downside protection in the event the security position declines in value. Income is received from the proceeds of the option sale. Such income may be reduced to the extent it is necessary to buy back the option position before its expiration. This strategy may



involve a degree of trading velocity, transaction costs, and significant losses if the underlying security has a volatile price movement. Covered call strategies are generally suited for companies with little price volatility.

### **Long Call Option Purchases**

Long-call option purchases allow the option holder to be exposed to the general market characteristics of a security without the outlay of capital necessary to own the security. Options are wasting assets and expire (usually within nine months of issuance), and as a result, can expose the investor to a significant loss.

### **Long-put option Purchases**

Long put option purchases allow the option holder to sell or “put” the underlying security at the contract strike price at a future date. If the price of the underlying security declines in value, the value of the “long put” option increases. In this way, long puts are often used to hedge a long stock position. Options are wasting assets and expire (usually within nine months of issuance), and as a result, can expose the investor to a significant loss.

### **Option Spreading**

Call option spreading usually involves the purchase of a call option and the sale of a call option at a higher contract strike price, both having the same expiration month. The purpose of this type of transaction is to allow the holder to be exposed to the general market characteristics of a security without the outlay of capital to own the security and to offset the cost by selling the call option with a higher contract strike price. In this type of transaction, the spread holder “locks in” a maximum profit, defined as the difference in contract prices reduced by the net cost of implementing the spread. This is a long call spread position that represents a bullish posture on the underlying security. Put option spreading usually involves the purchase of a put option and the sale of a put option at a lower contract strike price, both having the same expiration month. The purpose of this type of transaction is to allow the holder to purchase protection on the underlying security and to partially offset the cost by selling the put option with a lower contract strike price. In this type of transaction, the spread holder has protection on the underlying that goes into the money at the higher strike and provides protection to the lower strike. This is a "long put" spread position that represents a bearish posture on the underlying security. Short Options spreads involve the sale of a call or put and the purchase of a corresponding call or put at a strike price that is further from the money than the call or put that was sold, both having the same expiration month. This transaction is called a 'credit spread' because it produces a net credit to the account of the investor. The maximum profit is the credit that was collected by the investor. The maximum loss is the difference in the



contract prices reduced by the net proceeds collected by the investor when implementing the spread. This is a bullish position when selling a spread with puts and a bearish position when selling a spread with calls.

### **Security-Specific Material Risks**

There is an inherent risk for clients who have their investment portfolios heavily weighted in one security, one industry or industry sector, one geographic location, one investment manager, and/ or one type of investment instrument (equities versus fixed income). Clients who have diversified portfolios, as a rule, incur less volatility and therefore less fluctuation in portfolio value than those who have concentrated holdings. Concentrated holdings may offer the potential for higher gain, but also offer the potential for significant loss.

## **Item 9**

## **Disciplinary Information**

Registered investment advisors must disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management. Advisor has no history of, or pending material, legal or disciplinary events, by our Firm or its management persons.

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

Neither the Advisor, nor its affiliates, are registered Broker/Dealers, nor is there a pending application.

Neither Advisor, nor its affiliates, are registered as a commodity firm, futures commission merchant, commodity pool operator, or commodity trading advisor, nor is there a pending application.

Michael R. Wallin, Certified Financial Planner™ (“CFP®”), is the Managing Member and an IAR of Advisor, and Mr. Allen Hargis, Certified Public Accountant (“CPA”), is a Member and IAR of Advisor. Michael R. Wallin and Allen Hargis are owners of Wallin & Hargis, through





which they market investment advisory and financial planning services.

Mr. Wallin is also a member-owner of Financial Architects & Consultants LLC, a firm that provides financial planning design and software for independent financial advisers, investment advisors, insurance agencies, and Broker/Dealers.

Mr. Wallin is a licensed insurance agent and owner member of AdvisorWorx, LLC, an insurance marketing organization. IARs associated with Advisor may choose to submit life, annuity, and hybrid insurance products through AdvisorWorx. Please be advised that there is a potential conflict of interest in AdvisorWorx because Mr. Wallin may receive higher compensation for clients using an insurance solution instead of an advisory solution to achieve their objectives. To address this conflict, the Advisor has adopted a Code of Ethics that obliges all associated persons to deal fairly with all clients, to uphold their fiduciary duty at all times, and to put the client's interest first. Client allocation decisions are generally made by the IAR associated with the account, subject to suitability oversight. IARs are not required to use any models managed by Advisor and do not receive additional compensation for using Advisor's models.

Allen P. Hargis, Member, is a Certified Public Accountant ("CPA"). Any compensation derived from his tax and accounting services is separate and apart from any activity performed through or with Advisor.

Mr. Hargis is also a minority owner in Financial Architects & Consultants, LLC a firm that provides financial planning design and software for independent financial advisers, investment advisors, insurance agencies, and Broker/Dealers.

Mr. Colquette is a Member and IAR of Advisor. He is a Certified Public Accountant ("CPA"), a Personal Financial Specialist ("PFS"), and is the owner of the Colquette Group, LLC, through which he markets investment advisory and financial planning services.

Advisor offers compliance and operational consulting services, as well as access, to bundled technology and platform access to other investment advisors which are collectively referred to as Advisory Institutional Services ("AIS"). Advisor does not charge a separate fee for its compliance and operational consulting services that Advisor provides. Investment advisors will receive a charge for technology or platform services which varies based on the items selected. Investment advisors that elect to retain outside consultants such as marketing or CPA services will engage with those providers directly. Advisor does not receive a referral fee or any type of



remuneration from outside consultants that an investment advisor elects to use. This creates a conflict for investment advisors who use the services of AIS that receive a discount on the cost for such services or discounts on other related services and technology due to their doing business with Advisor since a client may pay different fees as a result of the investment advisor choosing to do business with Advisor as a result. Investment advisors are under no obligation to use any service offered through AIS.

Advisor has developed and maintains certain investment models that are offered to clients. Advisor receives a management fee, of the same nature that its sub-advisors receive, for the management of assets placed within these models. This creates a conflict of interest due to the financial incentive for the Advisor to recommend their models over the models of others. To address this conflict, the Advisor has adopted a Code of Ethics that obliges all associated persons to deal fairly with all clients, to uphold their fiduciary duty at all times, and to put the client's interest first. Client allocation decisions are generally made by the IAR associated with the account, subject to suitability oversight. IARs are not required to use any models managed by Advisor and do not receive additional compensation for using Advisor's models. Please note that each model has an associated model fee that is set by the model manager and the use of lower-cost models has the potential to increase the compensation received by the IAR.

Advisor subscribes to LifeArcPlan<sup>®</sup>, a data gathering and integration tool, designed by Financial Architects & Consultants, LLC and owned in part by Michael Wallin and Allen Hargis. The compensation arrangement presents a conflict of interest due to a financial incentive to utilize the services of an affiliated firm. To address this conflict, the Advisor has adopted a Code of Ethics that obliges all associated persons to deal fairly with all clients, to uphold their fiduciary duty at all times, and to put the client's interest first.

Certain Associated Persons of Advisor may also be licensed as insurance agents, and as such, they can offer various insurance products from a variety of product sponsors and receive a commission for these activities. Clients are advised that any fees paid to the Firm for advisory services are separate and distinct from commissions earned by the Associated Person for any insurance product that the client may purchase through the Associated Person. Associated Persons may also receive cash and/or non-cash compensation from Insurance Marketing Organizations ("IMO") that they use to offer insurance-based solutions to clients and prospects. Such compensation may be based on the total dollar amount of premium placed with the IMO or it may be based on premium dollars placed with a specific insurance carrier or a carrier's product. Clients are under no obligation or requirement to purchase any insurance product from an Associated Person associated with Advisor or any insurance agent or agency associated or affiliated with Advisor. To address this conflict, the Advisor has adopted a Code of Ethics that



obliges all associated persons to deal fairly with all clients, to uphold their fiduciary duty at all times, and to put the client's interest first.

Certain Associated Persons of Advisor may also offer physical gold and silver for clients to purchase through designated third parties and receive a commission for these activities. Clients are advised that any fees paid to the Firm for advisory services are separate and distinct from commissions earned by the Associated Person for any gold or silver that the client may purchase through the Associated Person. Clients are under no obligation or requirement to purchase these products from any IAR associated with Advisor. To address this conflict, the Advisor has adopted a Code of Ethics that obliges all associated persons to deal fairly with all clients, to uphold their fiduciary duty at all times, and to put the client's interest first.

Certain Associated Persons of Advisor may also be Registered Representatives of unaffiliated Broker/Dealers. These dually licensed individuals disclose this relationship to all advisory clients at, or before, the establishment of an advisory relationship. Disclosure is made verbally and via the IAR's ADV Part 2B and other marketing and advertising materials, such as specific disclosures on the IAR's business card, website, or social media sites. Dual registration may create a conflict of interest for the IAR in the timing of momentary compensation received. To address this conflict, the Advisor has adopted a Code of Ethics that obliges all associated persons to deal fairly with all clients, to always uphold their fiduciary duty, and to put the client's interest first.

## **Item 11**

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

### **Description of Our Code of Ethics**

Advisor has adopted a Code of Ethics (the "Code") to address investment advisory conduct. The Code focuses primarily on fiduciary duty, personal securities transactions, insider trading, gifts, and conflicts of interest. The Code includes the Advisor's policies and procedures developed to protect the client's interests concerning the following topics:

- The duty at all times to place the interests of client(s) first;
- The requirement that all personal securities transactions be conducted in such a manner as to be consistent with the code of ethics;



- The responsibility to avoid any actual or potential conflict of interest or misuse of an employee's position of trust and responsibility;
- The fiduciary principle is that information concerning the identity of security holdings and financial circumstances of clients is confidential; and
- The principle that independence in the investment decision-making process is paramount.

A copy of the Advisor's Code of Ethics is available upon request to the Chief Compliance Officer at the Advisor's principal office address. The address is listed on the cover page of this document.

### **Personal Trading Practices**

At times Advisor and/or its Associated Persons may take positions in the same securities as clients, which may pose a conflict of interest with clients. Advisor, and its Associated Persons, will generally be "last in" and "last out" for the trading day when trading occurs close to client trades. We will not violate our fiduciary responsibilities to our clients. Front running (trading shortly ahead of clients) is prohibited. Should a conflict occur because of materiality (i.e. a thinly traded stock), the disclosure will be made to the client(s) at the time of trading. Incidental trading not deemed to be a conflict (i.e., a purchase or sale that is minimal as a percentage of the total outstanding value, and as such would have a negligible effect on the market price), would not be disclosed at the time of trading.

## **Item 12**

## **Brokerage Practices**

For Advisor's portfolio management programs, we recommend and request clients to implement trades and maintain custody of assets through discount brokers. Currently, we recommend the services of AXOS, Matrix, Altruist, Schwab, and Fidelity. AXOS, Altruist, Schwab, and Fidelity are members of the Financial Industry Regulatory Authority ("FINRA"), and the Securities Investor Protection Corporation ("SIPC").

AXOS, Matrix, Altruist, Schwab, and Fidelity offer independent investment advisory services, which include custody of client securities, trade execution, clearance and settlement of transactions, and daily research and investment information.

We are not affiliated with AXOS, Matrix, Altruist, Schwab, or Fidelity. Our Associated Persons are not registered representatives of AXOS, Matrix, Altruist, Schwab, or Fidelity, and do not receive commissions or other compensation from recommending these services.



## **Research and Other Soft Dollar Benefits**

Although not considered “soft dollar” compensation, we may receive benefits from our custodians for research services that include reports, software, and institutional trading support.

There is no direct link between the Firm’s participation in these Institutional programs and the investment advice it gives to its clients, although the Advisor receives economic benefits through its participation in the programs that are typically not available to AXOS, Schwab, Altruist, and Fidelity’s retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research-related products and tools; consulting services; access to a trading desk serving advisor participants; 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 without transaction fees and to certain institutional money managers; discounts on compliance, marketing, research, technology, and practice management products or services provided to Advisor by third-party vendors. Some of the products and services made available by our custodians through the programs may benefit Advisor but may not benefit its client’s accounts. These products or services may assist the Advisor in managing and administering the client’s accounts, including accounts not maintained with a particular custodian. Other services made available by our custodians are intended to help Advisor manage and further develop its business enterprise. The benefits received by the Firm or its personnel through participation in the programs do not depend on the number of brokerage transactions directed to a particular custodian. As part of its fiduciary duties to clients, the Firm 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 Advisor or its related persons, in and of itself, creates a potential conflict of interest and may indirectly influence the Advisor’s choice of AXOS, Schwab, Altruist, or Fidelity for custody and brokerage services.

In selecting a broker-dealer based on discretionary authority, the Advisor will endeavor to select those brokers or dealers that will provide the best services at the lowest commission rates possible. The reasonableness of commissions is based on several factors, including the broker’s ability to provide professional services, competitive commission rates, volume discounts, execution price negotiations, the reputation, experience, and financial stability of the broker or dealer, and the quality of service rendered by the broker or dealer in other transactions.

Best execution is not measured solely by reference to commission rates. Paying a broker, a higher commission rate than another broker might charge is permissible if the difference in cost is reasonably justified by the quality of the brokerage services offered. Additionally, Advisor



may cause the account to pay a higher commission in recognition of the value of “research services” and additional brokerage products and services a broker-dealer has provided or may be willing to provide.

### **Directed Brokerage**

The client may direct brokerage to a specified Broker/Dealer other than the firm recommended by the Advisor. If a client directs the Advisor to use a particular Broker/Dealer, the requested Broker/Dealer may not be authorized to negotiate commissions and may not be able to obtain volume discounts or best execution. Additionally, under these circumstances, a disparity in commission charges may exist on the commissions charged to clients who direct the Advisor to use a particular Broker/Dealer.

### **Brokerage for Client Referrals**

We do not receive client referrals from broker-dealers and custodians in which we have an institutional advisory arrangement. Also, we do not receive other benefits from a broker-dealer in exchange for client referrals.

### **Trade Aggregation**

While individual client advice is provided to each account, client trades may be executed as a block trade. Advisor encourages its existing and new clients to use AXOS, Matrix, Altruist, Schwab, or Fidelity. Only accounts in the custody of AXOS, Matrix, Altruist, Schwab, or Fidelity would have the opportunity to participate in aggregated securities transactions. All trades using AXOS, Matrix, Schwab, Altruist, or Fidelity may be aggregated and done under the name of the Advisor. The executing broker will be informed that the trades are for the account(s) of the Advisor’s clients and not for the Advisor itself. No advisory account within the block trade will be favored over any other advisory account, and thus, each account will participate in an aggregated order at the average share price and receive the same commission rate. The aggregation should, on average, reduce the costs of execution. The custodians execute on best-effort practice to not transact trades, which will result in a higher cost of execution to a client. AXOS, Matrix, Altruist, Schwab, or Fidelity will be notified of the amount of the trade for each account. Advisor and/or its Associated Persons may participate in block trades with clients and may also participate on a pro-rata basis for partial fills, but only after the determination has been made that clients will receive fair and equitable treatment.

## **Item 13**

## **Review of Accounts**

### **Portfolio Management Account Reviews**

Accounts are reviewed by the IAR assigned to the account or by the Advisor’s personnel if an



IAR is not assigned to the account. The frequency of reviews is determined based on the client's investment objectives and reported changes in the client(s)' financial situation, but reviews are conducted no less frequently than once per year. More frequent reviews may also be triggered by a change in the client's investment objectives, tax considerations, large deposits or withdrawals, large purchases or sales, loss of confidence in corporate management, or changes in the macroeconomic climate.

The Advisor monitors the individual investments within each account each day the market(s) are open. Sub-advisor and model performance are reviewed, at a minimum, quarterly by the Investment Committee which manages the use and inclusion of sub-advisors and their models.

client(s) will receive account statements directly from their account(s) custodian on at least a quarterly basis. Additionally, Advisor may provide client(s) with performance reports designed to encapsulate and provide a summary of client(s) account activity and performance against various benchmarks.

client(s) is advised that they should only rely on statements received from their custodian(s), as this represents their actual account activity. Performance reports are provided as a courtesy to the client(s) and do not replace statements generated by the custodian.

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

Apart from the receipt of additional benefits from AXOS, Matrix, Altruist, Schwab, or Fidelity that we have disclosed under Item 12 above, we do not receive economic benefits from third parties in exchange for providing investment advice or other advisory services to our clients.

Advisor may organize various due diligence and educational seminars for its existing and prospective IARs and may invite such persons to attend such events free of charge or may subsidize their expenses for attending such an event. In some cases, the Advisor also pays such persons' travel expenses or a portion thereof.

The Advisor may invite sub-advisors or service providers to these events as presenters or attendees. Sub-advisors or service providers may provide expense-offsetting support to the Advisor to defer the expenses of due diligence and educational seminars for the Advisor's existing and prospective IARs. Any expense offsetting support provided by a sub-advisor must be paid to the Advisor, not an IAR.



Certain sub-advisors to Advisor have entered into a service agreement with Advisor to facilitate the creation of self-directed brokerage accounts that are managed by the sub-advisor. The compensation arrangement presents a conflict of interest due to a financial incentive to utilize the investment models associated with the sub-advisor. To address this conflict, the Advisor has adopted a Code of Ethics that obliges all associated persons to deal fairly with all clients, to always uphold their fiduciary duty, and to put the client's interest first.

Non-employee (outside) consultants, individuals, and/or entities, who are directly responsible for bringing a client to Advisor, may receive compensation from the Firm. Such arrangements will comply with the requirements outlined in Rule 206(4)-3 of the Investment Advisers Act of 1940, including the requirement that the relationship between the solicitor and the investment advisor be disclosed to the client at the time of the solicitation or referral. In these situations, all applicable state laws will also be observed. Under these arrangements, the client does not pay higher fees than the Advisor's normal/typical advisory fees.

Associated Persons and staff of Advisor may attend due diligence and/or training events from current or prospective sub-advisors or product partners. These events may be paid for, in whole or in part, by the sponsoring party.

Associated Persons of the Firm may enter into agreements with various organizations to identify qualified potential clients. An Associated Person may agree to compensate that organization for receiving information about qualified potential clients. Any compensation that the Associated Person may give to that organization, or directly to any individual within that organization, will be nominal and in exchange for qualified potential clients regardless of whether or not the potential clients engage the Advisor in an advisory relationship.

Certain sub-advisors or product partners may offer to support client events sponsored by individual IARs of Advisor. These events may be paid for, in whole or in part, by one or more sub-advisors or product partners.

## **Item 15**

## **Custody**

All client funds, securities, and accounts are held at third-party custodians. Advisor does not take possession of a client's funds, securities, or accounts. However, each portfolio





management client will be asked to authorize the Firm with the ability to deduct its fees directly from the client's account. The client's custodian will also send a quarterly account statement, indicating the number of fees withdrawn from the client's Account.

clients may authorize Advisor to execute the movement of client funds to or from third-party sources for the benefit of the client by the use of a standing letter of authorization ("SLOA"). If a client elects to use a SLOA, the Firm is viewed to have custody of those assets. The Firm and its custodians have implemented multiple safeguards when a client uses an SLOA, as outlined in [SEC No Action Letter 022117](#). Advisor urges clients to carefully review their statements and notify the Firm of any discrepancies as soon as possible. All client authorizations given by a client to the client's custodian, such as trading, billing, and the movement of funds, may be revoked at any time by the client contacting the client's custodian and revoking such authorization(s).

## Item 16

## Investment Discretion

Excluding model portfolios managed by the Advisor, generally, the Advisor does not execute trading discretion over client accounts. For client accounts allocated to the sub-advisor's model portfolios, the sub-advisor is responsible for security selection in a client's account. However, we will assume discretionary authority to hire or fire the sub-advisor where such action is deemed to be in the client's best interest. We also assume discretionary authority to reallocate client assets into a different asset allocation model managed by the same or a different sub-advisor. The specific sub-advisor engaged to manage the client's account, or a portion of it, exercises discretionary authority and makes all allocation decisions within the accounts they manage.

Certain IARs of Advisor, who have received approval from Advisor, may offer models directly managed by the IAR. These IARs have achieved one or more professional designations, have extensive trading experience, a documented security selection process, and/or acceptable verified performance. These models are normally only offered to clients of an IAR who have transitioned with that IAR to Advisor and the IAR was previously directly managing the client's account at the IAR's prior firm.

client may limit our discretionary authority if the client wishes by setting a limit on the type of securities that can be purchased for the client's account. The client simply provides the Advisor with the client's restrictions or guidelines in writing. Please refer to the "Advisory Business" section in this Brochure for more information on our discretionary management services.



## **Item 17**

## **Voting Client Securities**

Advisor does not take discretion for voting proxies on behalf of its clients. The Advisor will not make recommendations to a client on voting proxies regarding shareholder vote, consent, election, or similar actions solicited by, or for, issuers of securities beneficially held as part of Advisor-supervised and/or managed assets. In no event will the Advisor take discretion concerning voting proxies on behalf of its client(s). Except as required by applicable law, the Advisor will not be obligated to render advice or take any action on behalf of clients concerning assets at present or formerly held in their accounts that become the subject of any legal proceedings, including bankruptcies. There is a potential risk that securities held in a client's account may be the subject of a class-action lawsuit. The Advisor has no obligation to determine if securities held by the client are subject to a pending or resolved class-action lawsuit. Advisor also has no duty to evaluate a client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict.

Furthermore, Advisor has no obligation or responsibility to initiate litigation to recover damages on behalf of clients who may have been injured because of actions, misconduct, or negligence by the corporate management of issuers whose securities are held by the client(s). When the Advisor receives written or electronic notice of a class-action lawsuit, settlement, or verdict affecting securities owned by a client, it will forward all notices, proof of claim forms, and other materials to the client. Electronic mail is acceptable where appropriate and where the client has authorized contact in this manner.

## **Item 18**

## **Financial Information**

We are required in this Item to provide you with certain financial information or disclosures about Advisor's, financial condition. Advisor does not require the prepayment of over \$1,200, six or more months in advance for the production of written financial plans. Additionally, Advisor does not have any financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.



## Item 19      Miscellaneous Trade Error Correction Procedures

On infrequent occasions, an error may be made in a client account. For example, a security may be erroneously purchased for the account instead of sold. In these situations, the Firm generally seeks to rectify the error by placing the client account in a similar position as it would have been had there been no error. Depending on the circumstances, various corrective steps may be taken, including among others, canceling the trade or adjusting an allocation. Any gains or losses resulting from error correction will be placed in Advisor's error correction account.

### **Confidentiality**

Advisor views protecting its customers' private information as a top priority and, under the requirements of the Gramm-Leach-Bliley Act, the Firm has instituted policies and procedures to ensure that customer information is kept private and secure.

Advisor does not disclose any nonpublic personal information about its customers or former customers to any non-affiliated third-parties, except as permitted by law. Advisor may share some information with its domestic and international service providers, including transfer agents, custodians, portfolio aggregation, broker-dealers, accountants, and lawyers. Advisor restricts internal access to nonpublic personal information about its clients to those employees who need to know that information to provide products or services to the client. Advisor maintains physical and procedural safeguards that comply with state and federal standards to guard a client's nonpublic personal information and ensure its integrity and confidentiality. As emphasized above, it has always been and will always be the Firm's policy never to sell information about the current or former client(s), or their accounts, to anyone. It is also the Advisor's policy not to share information unless required to process a transaction, at the request of the client, or as required by law.

A copy of the Firm's privacy policy notice will be provided to each client before, or contemporaneously with, the execution of the Advisory Agreement. Thereafter, the Firm will deliver a copy of the current privacy policy notice to its clients on an annual basis. If you have any questions about this policy, please contact the Advisor.

