

Item 1

Cover Page

# Verus Financial Partners

SEC File Number: 801 – 41983

## Brochure

**Dated March 25, 2024**

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This brochure provides information about the qualifications and business practices of Verus Financial Partners (the “Registrant”). If you have any questions about the contents of this brochure, please contact us at (804) 562-3465 or [julie@verusfp.com](mailto:julie@verusfp.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 Verus Financial Partners is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

References herein to Verus Financial Partners as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.

**Item 2            Material Changes**

There have been no material changes to this Brochure since the last annual amendment filing dated March 14, 2023.

**ANY QUESTIONS:** Verus’ Chief Compliance Officer, Julie Waitman, remains available to address any questions regarding any portion of this disclosure statement.

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## Item 4      **Advisory Business**

- A. Verus Financial Partners (the “Registrant”) is a corporation formed on July 1, 1992 in the State of Virginia. The Registrant registered as an Investment Adviser Firm in July 1992. The Registrant is principally owned by David A. Kozlowski, Julie A. Waitman, Edward L. Hoppe, III; and William J. Lagos, Jr.
- B. As discussed below, the Registrant offers to its clients (primarily individuals and families) investment advisory services, and, to the extent specifically requested by a client, financial planning and related consulting services, and tax planning/preparation services (tax preparation per the terms of a separate agreement).

### **INVESTMENT ADVISORY SERVICES**

If a client determines to engage the Registrant to provide discretionary investment advisory services on a fee-only basis, which fee is generally (with exceptions at the discretion of the Registrant) based upon a percentage of the assets placed under the Registrant’s management per the fee schedule set forth at Item 5 below. Before engaging the Registrant to provide investment advisory services, clients are required to enter into a discretionary Investment Advisory Agreement, setting forth the terms and conditions of the engagement (including termination), which describes the fees and services to be provided.

### **FINANCIAL PLANNING, TAX PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

While this is not a normal practice, the Registrant, under limited circumstances may agree to a stand-alone financial planning, tax or consulting engagement. To the extent specifically requested by a client, the Registrant *may* determine to provide financial planning, tax planning and preparation and/or consulting services (including investment and non-investment related matters, insurance planning, etc.) on a stand-alone separate fee basis. Registrant’s planning and consulting fees are negotiable, but generally range from \$600.00 to \$5,000.00 on a fixed fee basis, and from \$250.00 to \$600.00 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. Neither the Registrant, nor any of its representatives, serves as an attorney or licensed insurance agent, and no portion of the Registrant’s services should be construed as same. Accordingly, the Registrant does not prepare legal documents (including estate planning documents) or sell insurance products. If requested by the client, Registrant may recommend the services of other professionals for implementation purposes (i.e., attorneys, accountants, insurance, etc.). 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. At all times, the engaged licensed professional[s] (i.e., attorney,

accountant, insurance agent, etc.), and **not** Registrant, shall be responsible for the quality and competency of the services provided. **Please Also Note:** It remains the client's responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

**Please Note: Retirement Rollovers-Potential for Conflict of Interest:** A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If Registrant recommends that a client roll over their retirement plan assets into an account to be managed by Registrant, such a recommendation creates a conflict of interest if Registrant will earn new (or increase its current) compensation because of the rollover. If Registrant provides a recommendation as to whether a client should engage in a rollover or not (whether it is from an employer's plan or an existing IRA), Registrant is acting as a fiduciary within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. No client is under any obligation to roll over retirement plan assets to an account managed by Registrant, whether it is from an employer's plan or an existing IRA. **Registrant's Chief Compliance Officer, Julie Waitman, remains available to address any questions that a client or prospective client may have regarding the potential for conflict of interest presented by such rollover recommendation.**

#### **MISCELLANEOUS**

**Financial Planning/Non-Investment Consulting/Implementation Services.** To the extent requested by the client, the Registrant shall generally provide financial planning and related consulting services regarding non-investment related matters, such as estate planning, tax planning/preparation, insurance, etc. **Please Note:** Registrant believes that it is important for the client to address financial planning issues with Registrant on an ongoing basis. Registrant's fee will remain the same regardless of whether the client determines to address planning issues with Registrant. Registrant remains available to address planning issues with the client on an ongoing basis.

Neither the Registrant, nor any of its representatives, serves as an attorney or licensed insurance agent, and no portion of the Registrant's services should be construed as same. Accordingly, the Registrant does not prepare legal documents (including estate planning documents) or sell insurance products. To the extent requested by a client, the Registrant may recommend the services of other professionals for certain non-investment implementation purposes (i.e., attorneys, accountants, insurance, etc.). 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. At all times, the engaged licensed professional[s] (i.e., attorney, accountant, insurance agent,

etc.), and **not** Registrant, shall be responsible for the quality and competency of the services provided. **Please Also Note:** It remains the client's responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

**Custodian Charges- Additional Fees:** As discussed below at Items 5 and 12, when requested to recommend a broker-dealer/custodian for client accounts, Registrant generally recommends that Charles Schwab & Co. ("Schwab") serve as the broker-dealer/custodian for client investment management assets. Schwab purchased TD Ameritrade in 2020 and all client accounts were converted to Schwab accounts in September 2023. Broker-dealers such Schwab charge brokerage commissions, transaction, and/or other type fees for effecting certain types of securities transactions (i.e., including transaction fees for certain mutual funds, and mark-ups and mark-downs charged for fixed income transactions, etc.). The types of securities for which transaction fees, commissions, and/or other type fees (as well as the amount of those fees) shall differ depending upon the broker-dealer/custodian (while certain custodians, including Schwab, do not currently charge fees on individual equity transactions, including ETFs, others do). These fees/charges are in addition to Registrant's investment advisory fee at Item 5 below. Registrant does not receive any portion of these fees/charges.

**Use of Mutual and Exchange-Traded Funds:** Most mutual funds and exchange-traded funds are available directly to the public. Thus, a prospective client can obtain many of the funds that may be utilized by Registrant independent of engaging Registrant as an investment advisor. However, if a prospective client determines to do so, he/she will not receive Registrant's initial and ongoing investment advisory services. The mutual funds and exchange traded funds utilized by the Registrant are generally available directly to the public. Thus, a client can generally obtain the funds recommended and/or utilized by Registrant independent of engaging Registrant as an investment advisor. However, if a prospective client does so, then they will not receive Registrant's initial and ongoing investment advisory services.

**Please Note- Use of DFA Mutual Funds:** Registrant utilizes mutual funds issued by Dimensional Fund Advisors ("DFA"). DFA funds are generally only available through registered investment advisers approved by DFA. Thus, if the client was to terminate Registrant's services, and transition to another adviser who has not been approved by DFA to utilize DFA funds, restrictions regarding additional purchases of, or reallocation among other DFA funds, will generally apply. **Please Also Note:** In addition to Registrant's investment advisory fee described below, and transaction and/or custodial fees discussed below, clients will also incur, relative to all mutual fund and exchange-traded fund purchases, charges imposed at the fund level (e.g., management fees and other fund expenses). **ANY QUESTIONS: Registrant's Chief Compliance Officer, Julie Waitman, remains available to address any questions that a client or prospective client may have regarding the above.**

**Portfolio Activity.** Registrant has a fiduciary duty to provide services consistent with the client's best interest. Registrant will review client portfolios on an ongoing basis to

determine if any changes are necessary based upon various factors, including, but not limited to, investment performance, market conditions, fund manager tenure, style drift, account additions/withdrawals, and/or a change in the client's investment objective. Based upon these factors, there may be extended periods of time when Registrant determines that changes to a client's portfolio are unnecessary. Clients remain subject to the fees described in Item 5 below during periods of portfolio inactivity. Of course, as indicated below, there can be no assurance that investment decisions made by the Registrant will be profitable or equal any specific performance level(s).

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

**Cash Sweep Accounts.** Certain account custodians can require that cash proceeds from account transactions or new deposits, be swept to and/or initially maintained in a specific custodian designated sweep account. The yield on the sweep account will generally be lower than those available for other money market accounts. When this occurs, to help mitigate the corresponding yield dispersion, Registrant shall (usually within 30 days thereafter) generally (with exceptions) purchase a higher yielding money market fund (or other type security) available on the custodian's platform, unless Registrant reasonably anticipates that it will utilize the cash proceeds during the subsequent 30-day period to purchase additional investments for the client's account. Exceptions and/or modifications can and will occur with respect to all or a portion of the cash balances for various reasons, including, but not limited to the amount of dispersion between the sweep account and a money market fund, the size of the cash balance, an indication from the client of an imminent need for such cash, or the client has a demonstrated history of writing checks from the account. **Please Note:** The above does not apply to the cash component maintained within a Registrant actively managed investment strategy (the cash balances for which shall generally remain in the custodian designated cash sweep account), an indication from the client of a need for access to such cash, assets allocated to an unaffiliated investment manager, and cash balances maintained for fee billing purposes. **Please Also Note:** The client shall remain exclusively responsible for yield dispersion/cash balance decisions and corresponding transactions for cash balances maintained in any Registrant unmanaged accounts.

**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/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising

Registrant's previous recommendations and/or services.

**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 Registrant) will be profitable or equal any specific performance level(s).

**Cybersecurity Risk.** The information technology systems and networks that Registrant and its third-party service providers use to provide services to Registrant's clients employ various controls, which are designed to prevent cybersecurity incidents stemming from intentional or unintentional actions that could cause significant interruptions in Registrant's operations and result in the unauthorized acquisition or use of clients' confidential or non-public personal information. Clients and Registrant are nonetheless subject to the risk of cybersecurity incidents that could ultimately cause them to incur losses, including for example: financial losses, cost and reputational damage to respond to regulatory obligations, other costs associated with corrective measures, and loss from damage or interruption to systems. Although Registrant has established processes to reduce the risk of cybersecurity incidents, there is no guarantee that these efforts will always be successful, especially considering that Registrant does not directly control the cybersecurity measures and policies employed by third-party service providers. Clients could incur similar adverse consequences resulting from cybersecurity incidents that more directly affect issuers of securities in which those clients invest, broker-dealers, qualified custodians, governmental and other regulatory authorities, exchange and other financial market operators, or other financial institutions.

**Disclosure Brochure.** A copy of the Registrant's written Brochure as set forth on Part 2A of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the *Investment Advisory Agreement or Financial Planning and Consulting Agreement*.

- C. The Registrant shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, the Registrant shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at any time, impose reasonable restrictions, in writing, on the Registrant's services.
- D. The Registrant does not participate in a wrap fee program.
- E. As of December 31, 2023, the Registrant had \$920,759,221 in assets under management on a discretionary basis.

## Item 5 Fees and Compensation

- A. The client can determine to engage the Registrant to provide discretionary investment advisory services on a *fee-only* basis. Generally (with exceptions at the discretion of the Registrant) the Registrant's annual fee is based upon a percentage of the assets placed under the Registrant's management per the following fee schedule:

<u>Assets Under Management</u>	<u>Fee Rate</u>
\$0 to \$500,000	1.50%
\$500,001 to \$1,000,000	1.25%
\$1,000,001 to \$2,500,000:	1.00%;
\$2,500,001 to \$4,000,000:	0.85%;
\$4,000,001 to \$5,500,000:	0.75%;
\$5,500,001 to \$7,000,000:	0.70%;
\$7,000,001 to \$8,500,000:	0.65%;
\$8,500,001 to \$10,000,000:	0.60%;
Above \$ \$10,000,001:	0.55%

**Please Note:** Management fees are reflected above as the annual total percentage charged to clients based on assets under management at the end of the client's billing period. One quarter of the annual fee percentage is then applied to the client's next quarter activity. If a client elects to terminate Registrant's services prior to the end of a billing period, the unearned portion of the fee is reimbursed to the client and calculated from the written date of termination notification.

**Fee Dispersion:** Registrant, in its discretion, may charge a lesser or greater investment advisory fee, charge a flat fee, waive its fee entirely, or charge fee on a different interval, 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, complexity of the engagement, anticipated services to be rendered, grandfathered fee schedules, employees and family members, courtesy accounts, competition, negotiations with client, etc.). The advisory fee payable shall be confirmed, in writing. **Please Note:** As result of the above, similarly situated clients could pay different fees. In addition, similar advisory services may be available from other investment advisers for similar or lower fees. **Please Also Note:** If a client that engaged the Registrant's service subsequent to **July 1, 2021** who maintains less than \$1 million in assets under the Registrant's management, the client will pay a higher percentage advisory fee than the 1.00% reflected in the above fee schedule. **ANY QUESTIONS:** Registrant's Chief Compliance Officer, Julie Waitman, remains available to address any questions that a client or prospective client may have regarding advisory fees.



**FINANCIAL PLANNING, TAX PLANNING, AND CONSULTING SERVICES (STAND-ALONE)**

While this is not a normal practice, the Registrant, under limited circumstances may agree to a stand-alone financial planning, tax or consulting engagement. To the extent specifically requested by a client, the Registrant *may* determine to provide financial planning, tax planning and/or consulting services (including investment and non-investment related matters, insurance planning, etc.) on a stand-alone fee basis. Registrant's planning and consulting fees are negotiable, but generally range from \$600.00 to \$5,000.00 on a fixed fee basis, and from \$250.00 to \$600.00 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s).

- B. Clients may elect to have the Registrant's advisory fees deducted from their custodial account. Both Registrant's *Investment Advisory Agreement* and the custodial/clearing agreement may authorize the custodian to debit the account for 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 billing quarter.
- C. **Custodian Charges- Additional Fees:** As discussed below at Item 12, unless the client directs otherwise or an individual client's circumstances require, the Registrant shall generally recommend that Charles Schwab & Co. ("Schwab") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Schwab* charge brokerage commissions, transaction, and/or other type fees for effecting certain types of securities transactions (i.e., including transaction fees for certain mutual funds, and mark-ups and mark-downs charged for fixed income transactions, etc.). The types of securities for which transaction fees, commissions, and/or other type fees (as well as the amount of those fees) shall differ depending upon the broker-dealer/custodian (while certain custodians, including Schwab, do not currently charge fees on individual equity transactions, including ETFs, others do). These fees/charges are in addition to Registrant's investment advisory fee referenced above. Registrant does not receive any portion of these fees/charges.
- D. Registrant's annual investment advisory fee shall be prorated and paid quarterly, in advance (for the next three months), based upon the market value of the assets on the last business day of the previous billing quarter. 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*. Upon termination, a pro-rated portion of the advance advisory fee shall be reimbursed to the client based upon the number of days remaining in the billing quarter after termination.
- E. Neither the Registrant, nor its representatives accept compensation from the sale of securities or other investment products.

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

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

## Item 7 Types of Clients

The Registrant's clients are primarily comprised of individuals and families. The Registrant generally requires a portfolio minimum asset level of \$1,000,000 for investment advisory services. The Registrant, in its sole discretion, may reduce or waive its minimum portfolio requirement. As also disclosed at Item 5 above, the Registrant, in its discretion, may charge a lesser or greater investment advisory fee, charge a flat fee, waive its fee entirely, or charge fee on a different interval, 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, complexity of the engagement, anticipated services to be rendered, grandfathered fee schedules, employees and family members, courtesy accounts, competition, negotiations with client, etc.). The advisory fee payable shall be confirmed, in writing. **Please Note:** As result of the above, similarly situated clients could pay different fees. In addition, similar advisory services may be available from other investment advisers for similar or lower fees. **Please Also Note:** If a client that engaged the Registrant's service subsequent to **July 1, 2021** maintains less than \$1 million in assets under the Registrant's management, the client will pay a higher percentage advisory fee than the 1.50% reflected in the above fee schedule.

**ANY QUESTIONS:** Registrant's Chief Compliance Officer, Julie Waitman, remains available to address any questions that a client or prospective client may have regarding advisory fees.

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

- A. The Registrant may utilize the following methods of security analysis:
- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)

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)

**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- 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.

- C. Currently, the Registrant primarily allocates client investment assets among various mutual funds and exchange-traded funds ("ETFs") on a discretionary basis in accordance with the client's designated investment objective(s)..

## **Item 9            Disciplinary Information**

The Registrant has not been the subject of any disciplinary actions.

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

- A. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither the Registrant, 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.
- C. The Registrant has no other relationship or arrangement with a related person that is material to its advisory business.
- D. The Registrant does not receive, directly or indirectly, compensation from investment advisors or other professionals that it recommends or selects for its clients.

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

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

- D. The Registrant and/or representatives of the Registrant *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where the Registrant and/or representatives of the firm 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

- A. In the event that the client requests that the Registrant recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct the Registrant to use a specific broker-dealer/custodian), Registrant generally recommends that investment management accounts are maintained at *Schwab*. 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/clearing agreement with each designated broker-dealer/custodian.

Factors that the Registrant considers in recommending *Schwab* (or any other broker-dealer/custodian to clients) include historical relationship with the Registrant, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or 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 affect the same transaction where the Registrant determines, in good faith, that the commission/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 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/custodian are exclusive of, and in addition to, Registrant's investment management fee.

### 1. Non-Soft Dollar Research and Additional Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Registrant can receive from *Charles Schwab & Co.* (or another broker-dealer/custodian, mutual fund sponsor, or vendor) 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/or products that can 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 and/or assets maintained at *Schwab* as the result of this arrangement. There is no corresponding commitment made by the Registrant to *Schwab* or any other any entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

**The Registrant's Chief Compliance Officer, Julie Waitman remains available to address any questions that a client or prospective client may have regarding the above arrangements, and the corresponding conflict of interest presented by such arrangements.**

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 affected through a specific broker-dealer). 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 execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Registrant. 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. Higher transaction costs adversely impact account performance.

4. **Trade Errors** When the Registrant causes a trade error. Prompt action is taking to resolve the error with the objective of returning the client's account to the position that it would have been in had there been no error. The Registrant may maintain an error account with certain qualified custodians for the purposes of accounting for the dollar impact of errors that may occur and the netting of losses and gains when permitted. Losses are absorbed by the Registrant consistent with the qualified custodians' policies. The Registrant, or the qualified custodian, can maintain any gains realized in order to offset future losses. Those gains may also be donated to charity. The client is always made whole in the event of an error.
- B. The transactions for each client account generally will be affected 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 the result of such aggregation.

### **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's Principals and/or 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, upon written request.

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

- A. As referenced in Item 12.A.1 above, the Registrant can receive an indirect economic benefit from *Schwab*, or another vendor or service provider. The Registrant, without cost (and/or at a discount), may receive support services and/or products from *Schwab*.

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

**The Registrant's Chief Compliance Officer, Julie Waitman, remains available to address any questions that a client or prospective client may have regarding the above arrangements and the corresponding conflicts of interest presented by such arrangements.**

The Registrant does not maintain solicitor arrangements. Registrant does not compensate individuals or entities for client introductions.

## Item 15 Custody

Registrant shall have the ability to deduct its advisory fee from the client's custodial account. Clients are provided with written transaction confirmation notices, and a written summary account statement directly from the custodian (*i.e.*, Schwab, or another custodian) at least quarterly. **Please Note:** To the extent that Registrant provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by Registrant with the account statements received from the account custodian. **Please Also Note:** The account custodian does not verify the accuracy of Registrant's advisory fee calculation.

Certain clients have established asset transfer authorizations that permit the qualified custodian to rely upon instructions from Registrant to transfer client funds or securities to third parties. These arrangements are disclosed at Item 9 of Part 1 of Form ADV. However, in accordance with the guidance provided in the SEC's February 21, 2017 *Investment Adviser Association* No-Action Letter, the affected accounts are not subject to an annual surprise CPA examination. In addition, from time-to-time, a member of the Registrant may serve in a trustee capacity for a client requiring disclosure at Item 9 of Part 1 of Form ADV. Such trustee service results in Registrant having custody under Rule 206(4)-2 of the Advisers Act, and will generally subject the Registrant to undergo an annual surprise CPA examination, and make a corresponding Form ADV-E filing with the SEC, for as long as the Registrant's member provides trustee services. **ANY QUESTIONS: Registrant's Chief Compliance Officer, Julie Waitman, remains available to address any questions that a client or prospective client may have regarding custody-related issues.**

## 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, client shall be required to execute an *Investment Advisory Agreement*, naming the Registrant as client's attorney and agent 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

Unless the client directs otherwise in writing, the Registrant is responsible for voting client proxies (**However**, the client shall maintain exclusive responsibility for all legal proceedings or other type events pertaining to the account assets, including, but not limited to, class action lawsuits.). The authority to vote proxies shall commence when the client completes



the appropriate areas of the *Schwab* account application(s). The Registrant has retained the services of *Glass Lewis & Co.* (“Glass Lewis”), an independent proxy-voting service provider, to provide research, recommendations, and other proxy voting services for client proxies. Absent a determination by Registrant to the contrary, client proxies will be voted in the clients’ best interests in accordance with Glass Lewis’ guidelines and recommendations. Glass Lewis is responsible for submitting all proxies in a timely manner and for maintaining appropriate records of proxy votes. Clients may elect not to engage Registrant (in conjunction with Glass Lewis) to vote proxies on their behalf. Information pertaining to how a specific proxy was voted is available upon written request. **Requests should be made by contacting the Registrant’s Chief Compliance Officer, Julie Waitman.**

A. As set forth in 17.A, the Registrant votes client proxies using the professional services of *Glass Lewis & Company*.

## **Item 18 Financial Information**

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

**ANY QUESTIONS: The Registrant’s Chief Compliance Officer, Julie Waitman, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**