

CROSS STATE FINANCIAL GROUP, LLC

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MARCH 20, 2024

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This brochure provides information about the qualifications and business practices of Cross State Financial, LLC. If you have any questions about the contents of this brochure, please contact at Danielle Mutz at (800) 621-6974. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission.

Cross State Financial Group, LLC is a registered investment advisor. Registration of an Investment Advisor does not imply any level of skill or training. This brochure of the Advisor provides you with information about which you can determine to hire or retain an Advisor.

Additional information about Cross State Financial Group, LLC is available on the SEC's website www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. The CRD number for Cross State Financial Group, LLC is 282011.

2. MATERIAL CHANGES

We have the following material changes to report since our last annual update on February 8, 2023:

- Item 12 – As a result of its merger with TD Ameritrade, Inc., we recommend Charles Schwab & Co., Inc as the qualified custodian.

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4. ADVISORY BUSINESS

Cross State Financial Group, LLC (“We”) was formed in November 2015. Our owners are Steven Iversen and Danielle Mutz. We are an investment adviser registered with the Securities and Exchange Commission (SEC). Additional information about our owners is available under Item 19, below and in their attached supplement brochures.

Before we enter an Adviser-Client relationship, we offer a complimentary general consultation to discuss services available, give a prospective client time to review services desired, and determine whether a relationship might benefit the client. Investment advisory services begin only after we and the client formalize the relationship with a properly executed agreement. We offer the following services.

FINANCIAL PLANNING SERVICES

We offer clients financial planning services to evaluate their financial situation, goals and risk tolerance. Through a series of personal interviews and the use of questionnaires the firm will collect pertinent data, identify goals, objectives, financial problems, potential solutions, prepare specific recommendations and implement recommendations. As a result of these actions, our advice may be provided on one or more of the following: budget analysis, income planning, financial and cash management, risk management, estate planning, tax issues, retirement planning, educational funding, goal setting, or other needs as identified by the client and the firm. We may offer comprehensive planning services, or the client may desire advice or consulting on individual planning components; the firm can tailor services as desired by the client. At the conclusion of the Financial Planning Service the firm may present the client with a written financial plan

PORTFOLIO MANAGEMENT SERVICES

We manage individualized portfolios for clients. We work with each client to formulate an individualized portfolio based upon his/her objectives, time frame, risk parameters and other investment considerations. The portfolio may be created using one or more of our model portfolios or we may customize an individual portfolio that does not include any models. Please see Item 8 for additional details about the risks associated with these investments.

We allow clients to impose reasonable restrictions on the type of investments we use in their accounts. All restrictions must be presented to us in writing.

RECOMMENDATION AND MONITORING OF THIRD-PARTY INVESTMENT ADVISER SERVICES

When deemed appropriate, we will recommend the services of an independent investment adviser (“Third Party Adviser”). The recommendation will depend on the client’s circumstances, goals and objectives, strategy desired, account size, risk tolerance, or other factors. We work with the client to determine which Third Party Adviser may be appropriate. Clients always have the right to decide whether to use the recommended Third-Party Adviser.

We will review Third Party Advisers prior to making a recommendation to the client. We consider the following factors during our review: fees, reputation, performance, financial strength, management, price, reporting capabilities, client’s financial situation, client’s goals, client’s needs, and client’s investment objectives. After our review we will present the client with one or more

recommendations.

If the client wishes to proceed with the recommendation, the client will sign an agreement with us along with a separate agreement with the Third-Party Adviser. The agreement with the Third-Party Adviser states that it is responsible for portfolio management, best execution, portfolio reporting, trading, trade error resolution, and custodian reconciliations. Our agreement with the client states that we will monitor the client's account managed by the Third-Party Adviser, make recommendations about the Third-Party Adviser, meet with the client at least annually either in person or by telephone and act as the client's primary financial adviser. All questions regarding the Third-Party Adviser's services and performance will be directed to us.

When we recommend the service of a Third-Party Adviser, clients will be given a copy of its Form ADV Part 2A upon the recommendation. Clients are encouraged to read and understand this disclosure document. We will not refer a client to a third party unaffiliated investment adviser unless it is registered or exempt from registration as an investment adviser in the client's state of residence. Also, the client should refer to the Third-Party Adviser's ADV Part 2A on whether the client is allowed to impose restrictions on the type of investments used in their accounts.

WRAP PROGRAM

We do not sponsor a wrap fee program. This is not applicable.

CLIENTS ASSETS MANAGED

As of January 2, 2024, we manage \$145,456,346 of client's assets on a discretionary basis and \$0 in client assets on a non-discretionary basis. Additionally, we advise on and monitor \$1,175,000 in client assets held with third-party investment advisers.

5. FEES AND COMPENSATION

FINANCIAL PLANNING FEES

Our financial planning services are provided on a fixed or hourly fee basis in accordance with the following fee schedule:

Fixed Fee: The fixed fee is charged when the client will receive a comprehensive written financial plan. The fixed fees range between \$600 and \$5,000. The fixed fee range varies and depends upon the nature and complexity of each client's individual circumstances. Each client's Financial Planning Agreement shows what the client will be charged to complete the Scope of Services as defined in the Agreement. The fixed fee rate is negotiable.

Hourly Fee: The hourly fee is charged when the client needs advice or consulting one or two financial topics. The client does not receive a written financial plan with hourly services. Our hourly rate that ranges from \$100 to \$275 an hour for financial planning services with a minimum of two hours per engagement. The exact fee is dependent on the staff members working on the financial plan. The number of hours will vary depending upon the complexity of the financial situation, the estimate of hours involved, including preparation and research, staff involved, areas to be specified and estimated in the written agreement for services. The hourly fee can be negotiated with the client.

All financial planning fees are collected upon delivery of the financial plan or consulting service. We reserve the right to refund or waive our financial planning fees should the client decide to enter into an advisory agreement for portfolio management and/or the recommendation of third-party adviser services.

PORTFOLIO MANAGEMENT FEES/ RECOMMENDATION AND MONITORING OF THIRD-PARTY ADVISER FEES

We charge an annual management fee for portfolio management and a monitoring fee for monitoring third party advisers (collectively called “fees”) that are based on the client’s assets under management according to the following schedules:

Cross State Financial Group, LLC:

Tier 1 - For accounts with billable assets in excess of \$3 Million
(Incremental schedule)

\$50,000 - \$5 Million - 1.00% per year

\$5 - \$10 Million - 0.85% per year

\$10 Million and over - 0.70% per year

Tier 2 - For accounts with billable assets over \$500,000 and less than \$3 Million
(incremental schedule)

\$50,000 - \$500,000 - 1.35% per year

\$500,000 - \$1 Million - 1.15% per year

\$1 Million - \$3 Million - 1.00% per year

Tier 3 - For accounts with billable assets less than \$500,000 (incremental schedule)

\$50,000 - \$100,000 - 1.50%

\$100,000 - \$500,000 - 1.35%

Cross State Financial Group, LLC – Michigan Branch fee schedule:

\$0 - \$500,000 – 1.25% per year

\$500,000 - \$1 Million – 1.00% per year

\$1 Million - \$1.5 Million – 0.90% per year

\$1.5 Million - \$2 Million – 0.80% per year

\$2 Million and over – 0.75% per year

The fees will be collected as negotiated with our client, on monthly or a quarterly basis in arrears. (Exceptions to the timing of fee collections may be made when working with Third Party Advisers.) The fees are negotiable based upon the size of the account; client’s accounts may be aggregated to achieve a lower fee to be applied across the entire household. The initial billing period fees will be prorated for the number of days’ services were rendered during the billing period. The fees are calculated based upon the average daily market value of the assets held in the

account over the calendar month or quarter's end. The client may elect to have the fees directly deducted from the account. Please see Item 15 for additional details related to direct fee deduction.

With our tiered fee schedules, fees are charged incrementally. An incremental fee means the applicable rate will be applied to the custodian reported value in each applicable range of account value. For example, under the Tier 2 fee schedule, an account with a quarter end value of \$750,000 will be charged at a rate of 1.35% for the first \$500,000 and 1.15% for the remaining \$250,000. With our Michigan Branch fee schedule, fees are charged at one rate based on the total assets within a household. For example, a household with a quarter end value of \$750,000 will be charged at a rate of 1.00%.

Our monitoring fee is exclusive of the Third-Party Adviser's management fee, which can range from .25% to 1.50% per year. Our monitoring fee combined with the Third-Party Adviser's management fee will not exceed 2.00% per year. The Third-Party Adviser's exact management fee will be disclosed in its client agreement.

Additionally, our fees do not cover brokerage commissions, transaction fees, and other related costs and expenses that are incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to our fees. For more information about our brokerage practice please see Item 12.A.

TERMINATION OF SERVICES

A client may terminate the portfolio management services for any reason at any time and, within the first five (5) business days after signing the contract, without any cost or penalty for full refund. Thereafter, the contract may be terminated at any time by giving ten (10) days written notice to us at Cross State Financial, LLC, 8421 Osuna Road, NE, Suite C, Albuquerque, NM 87111. Upon termination, the management fee will be prorated for the number of days services were rendered during the last billing period and an invoice will be sent to the client.

OTHER SECURITIES COMPENSATION

We do not have any other securities compensation.

RETIREMENT ROLLOVER CONFLICTS OF INTEREST

When we recommend that you rollover a retirement account for us to manage, this creates a financial incentive because we charge a fee for our services. We attempt to mitigate the conflict of interest by acting in your best interest and applying an impartial conduct standard to all rollovers. Please note that you are not under any obligation to roll over a retirement account to an account managed by us.

6. PERFORMANCE-BASED FEES AND SIDE BY SIDE MANAGEMENT

We do not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client). Therefore, this section is not applicable.

7. TYPES OF CLIENTS

Our advisory services are offered to individuals, high net worth individuals, charities and retirement plans. Typically, we require \$50,000 to open an account. However, the minimum can be waived at our discretion.

8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

METHODS OF ANALYSIS AND INVESTMENT STRATEGIES

When we create a client's portfolio, we use a combination of fundamental analysis and tactical asset allocation.

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 future prospects. The analysis is performed on historical and present data. On a broader scope, one can perform fundamental analysis on industries or the economy as a whole. The term refers to the analysis of the economic well-being of a financial entity as opposed to only its price movements. The risk associated with fundamental analysis is that despite that appearance that a security is undervalued, it may not rise in value as predicted.

Tactical Asset Allocation is an active management portfolio strategy that rebalances the percentage of assets held in various categories in order to take advantage of market pricing anomalies or strong market sectors. This strategy is designed to allow portfolio managers to create extra value by taking advantage of certain situations in the marketplace. It is a moderately active strategy because portfolio managers return to the portfolio's original strategic asset mix when desired short-term profits are achieved.

Our analysis of securities and advice relating thereto may be based upon information obtained from financial newspapers and magazines, research materials prepared by others, corporate ratings services, and annual reports, prospectuses and filings made with the Securities and Exchange Commission. We may also utilize computer models for performance analysis, asset allocation and risk management.

INVESTMENT RISKS

All investments bear different types and degrees of risk and **investing in securities involves risk of loss that Clients should be prepared to bear.** While we recommend various securities that are designed to provide appropriate investment diversification, some investments have significantly greater risks than others. Obtaining higher rates of return on investments entails accepting higher levels of risk. Recommended investment strategies seek to balance risks and rewards to achieve investment objectives. Clients need to ask questions about risks they do not understand. We would be pleased to discuss them.

We strive to render our best judgment on behalf of our clients. Still, we cannot assure or guarantee clients that investments will be profitable or assure that no losses will occur in an investment

portfolio. Past performance is an important consideration with respect to any investment or investment advisor but is not a reliable predictor of future performance. We continuously strive to provide outstanding long-term investment performance, but many economic and market variables beyond our control can affect the performance of an investment portfolio.

Additionally, the risks associated with asset allocation include the chance that the proportions allocated to the various securities will cause the client's account to underperform relevant to benchmarks or other accounts with a similar investment objective.

RECOMMENDED SECURITIES AND THEIR RISKS

We use several types of securities in our clients' accounts. These securities may include, but are not limited to, the following: bonds and other corporate debt instruments; exchange traded funds; mutual funds; government debt instruments including treasury bills and municipal securities; stocks; preferred stock; high yield debt; domestic fixed income; options; unit investment trusts; traded and non-traded real estate investment trusts; limited partnerships; managed futures; money market funds and cash. A client should expect his/her account value and returns to fluctuate within a wide range, like the fluctuations of the overall stock and bond markets. Each Portfolio's performance is subject to the following risks:

- **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. In addition, foreign investments are subject to settlement practices, as well as regulatory and financial reporting standards, that differ from those of the U.S.
- **Leverage Risk:** Using derivatives to increase the Fund's combined long and short exposure creates leverage, which can magnify the Fund's potential for gain or loss and, therefore, amplify the effects of market volatility on the Fund's share price.
- **Liquidity risk:** One common risk associated with private placements and 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 to benchmarks or other accounts with a similar investment objective.
- **Options Risk:** Like other securities - including stocks, bonds, and mutual funds - options carry no guarantees, and a person must be aware that it is possible to lose all of the principal he or she invests, and sometimes more. As an option holder, a person risks the entire amount of the premium he or she paid. But as an options writer, a person takes on a much higher level of risk. For example, if a person writes an uncovered call, he or she faces unlimited potential loss, since there is no cap on how high a stock price can rise. However, since initial options investments usually require less capital than equivalent stock positions, potential cash losses as an options investor are usually smaller than if someone bought the underlying stock or sold the stock short. The exception to this general rule occurs when an option is used to provide leverage; percentage returns are often high, but it is important to remember that percentage losses can be high as well.
- **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 maintained a more diversified portfolio.
- **REIT Market Risk:** REITs have no control over market and business conditions and are vulnerable to market risk and slowdowns. External conditions beyond its control may reduce the value of properties that it acquires, the ability of tenants to pay rent on a timely basis, the amount of rent that can be charged and the ability of borrowers to make loan payments on a timely basis or at all. Cash available for distribution to stockholders can be affected by the tenant's inability to make rents or pay loans.
- **REIT Tenant Strength Risk:** REIT's revenues are highly dependent on lease payments from its properties and interest payments on the loans it makes. Defaults by tenants or borrowers reduce the cash available for repayment of outstanding debt and distribution to investors. If tenants have multiple properties or borrowers have multiple loans it increases the risk of more than one property or loan going bad if that tenant or borrower defaults. More than one property could become vacant, or loans are in default because of the financial failure of one tenant or borrower. Multiple vacancies or defaults can reduce a REITs cash receipts and funds available for distribution and could decrease the value of the affected properties.
- **REIT Qualifying Risk:** REITs must be organized and operated and intend to continue to be organized and to operate, in a manner that will enable them to qualify as a REIT for federal income tax purposes. No assurance can be given that a REIT qualifies or will continue to qualify as a REIT. If a REIT fails to qualify as a REIT, it will be subject to federal income tax at regular corporate rates. If a REIT fails to qualify the funds available for distribution to investors would be greatly reduced for each of the years involved.

- **Risks Associated with Leveraged ETF:** A leveraged ETF seeks to generate a return that is a multiple (usually 2X or 3X or -2X or -3X) of its benchmark index's performance over a specific, pre-set time period indicated in the fund's prospectus. That time period is also referred to as the "rebalancing period", and it is generally only one day, although it could be for a longer time period such as a month. As a result, the returns for these types of ETFs can differ significantly from that of their benchmark index, over periods lasting longer than the rebalancing period because of the compounding of returns. Generally, the longer the security is held, the more likely the returns of the Leveraged product will differ from the long-term return of the index. Although potential returns are increased by leveraging, so are the potential losses, so these securities carry significant risk. As a result, leveraged and inverse ETFs are intended only for sophisticated investors with an aggressive tolerance for risk.
- **Risks Associated with Inverse ETF:** An inverse ETF attempts to mimic the inverse, or opposite, of its stated benchmark. For example, an inverse S&P 500 ETF would attempt to deliver the opposite of the S&P 500's daily performance, net of fees. These funds, also called "short ETFs or Bear ETFs" are often in an attempt to profit from a downturn in a given market, sector, or index, or to hedge against a potential loss in their portfolio. Although an inverse ETF does not explicitly use leverage to magnify the intended return, they can suffer from the same compounding effects as the leveraged long and leveraged short ETFs.
- **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.

9. DISCIPLINARY INFORMATION

Registered investment advisors are required to 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. We have not been the subject of any administrative, arbitration, civil, criminal proceeding or self-regulatory proceeding.

10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Some of our associates are independent insurance agents. They may recommend the purchase of insurance to our clients. This other business activity pays our associates commissions that are separate from the fees described above. This is a conflict of interest because the commissions give them a financial incentive to recommend and sell clients the insurance products. However, our associates attempt to mitigate any conflicts of interest to the best of their ability by placing the client's best interests through their fiduciary duty and by informing clients that they are never obligated to purchase recommended insurance through any associate.

Our associates may be affiliated with tax preparation and consulting services, and they may recommend this services to our clients. This other business activity pays our associates fees that are separate from the fees described above. This is a conflict of interest because the fees give them a financial incentive to recommend the tax preparation and consulting service. However, our

associates attempt to mitigate any conflicts of interest to the best of their ability by placing the client's best interests through their fiduciary duty and by informing clients that they are never obligated to use recommended tax preparation and consulting services through any associate.

Our services include recommending and monitoring third party investment advisors. A detailed description of this service can be found under Item 4 – Advisory Services and Item 5 – Fees and Compensation. Please see those sections for additional details.

11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

DESCRIPTION

Our Code of Ethics establishes ideals for ethical conduct based upon fundamental principles of openness, integrity, honesty, and trust that all employees must follow. We will provide a copy of our Code of Ethics to any client or prospective client upon request.

Our Code of Ethics covers all supervised persons, and it describes its high standard of business conduct, and fiduciary duty to our clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons must acknowledge the terms of the Code of Ethics annually, or as amended.

MATERIAL INTEREST IN SECURITIES

We do not have a material interest in any securities.

INVESTING IN AND RECOMMENDING THE SAME SECURITIES

Our associates may buy or sell for their personal account(s) securities identical or opposite to those recommended to clients. This causes a conflict of interest because the associates can trade ahead of client trades. We mitigate the conflict of interest in two ways. First, our Code of Ethics requires employees to: 1) report personal securities transactions on at least a quarterly basis, and 2) provide us with a detailed summary of certain holdings (both initially upon commencement of employment and at least annually thereafter) in which such Employees have a direct or indirect beneficial interest. The reports are reviewed to ensure associates do not trade ahead of client accounts. Second, we generally require associates place a transaction in their own account of the same security transacted for client accounts, their account is included in the block trade, so our associates receive the same pricing as clients. The records of all associates' personal and client trading activities are reviewed and made available to regulators to review on the premises.

12. BROKERAGE PRACTICES

RECOMMENDATION CRITERIA

We do not maintain custody of client assets. The clients' assets must be maintained in an account at a "qualified custodian," which is generally a broker-dealer or bank. We recommend that a client uses Charles Schwab & Co., Inc. ("Schwab") a registered broker-dealer, member FINRA/SIPC as

the qualified custodian. We are independently owned and operated and not affiliated with Schwab. Schwab will hold the clients' assets in a brokerage account and buy and sell securities when we instruct them to. While we recommend that a client uses Schwab as the custodian/broker, the client will decide whether to do so and open an account with Schwab by entering into an agreement directly with them; we do not open the account for the client.

Some of the primary considerations we consider when recommending a custodian and broker are: rates charged by other brokers that provide clearing or custody services for registered investment advisers; reputation and financial strength; breadth and depth of available products, with an important factor being the broker's no-transaction-fee mutual fund universe; accuracy with which transactions are processed; customer service responsiveness; availability of technology solutions interoperable with our systems and suitable for managing multiple accounts; as well as client satisfaction. We periodically evaluate the foregoing factors, and while we may conclude based on our review that commission rates paid by clients are reasonable, lower commissions may be available from other brokers or in conjunction with retail (non-advisory) accounts, and certain mutual funds that carry a transaction fee may be available on a no-transaction-fee basis from other brokers or directly from the fund company.

RESEARCH AND SOFT DOLLARS

"Soft dollars" are defined as a form of payment investment firms can use to pay for goods and services such as news subscriptions or research. When an investment firm gives its business to a particular brokerage firm, the brokerage firm in return can agree to use some of its revenue to pay for these types of services. We do not receive "soft dollars".

BROKERAGE FOR CLIENT REFERRALS

We do not receive client referrals or any other incentive from any custodian or any third party.

DIRECTED BROKERAGE

We do not allow for directed brokerage.

TRADE AGGREGATION

We may aggregate transactions in equity and fixed income securities for a client with other clients to improve the quality of execution. When transactions are so aggregated, the actual prices applicable to the aggregated transactions will be averaged, and the client account will be deemed to have purchased or sold its proportionate share of the securities involved at the average price obtained. We may determine not to aggregate transactions, for example, based on the size of the trades, the number of client accounts, the timing of the trades, the liquidity of the securities and the discretionary or non-discretionary nature of the trades. If we do not aggregate orders, some clients purchasing securities around the same time may receive a less favorable price than other clients. This means that this practice of not aggregating may cost clients more money.

13. REVIEW OF ACCOUNTS

Our owners review our client's portfolio holdings on a monthly basis. Each investment adviser representative meets with their individual clients typically on semi-annual basis. However,

depending on the client's preference more or less meetings can be conducted during each year. Additional reviews may be conducted depending on market conditions, economic or political events, or by changes in a client's financial situation (such as retirement, termination of employment, physical move or inheritance).

In addition to the above-mentioned reviews, we provide written financial plans to clients who engage us for financial planning services. Clients who are federal and state employees receive a written retirement analysis, if requested, based on their pension. In addition to the performance reports we provide, clients will also receive a monthly or quarterly statement, based on the activity, from the custodian.

14. CLIENT REFERRALS AND OTHER COMPENSATION

We do not pay nor receive compensation for referrals or receive any other compensation.

15. CUSTODY

We do not maintain custody of client assets or accounts. Your assets will be maintained by an unaffiliated, qualified custodian, such as a bank, broker/dealer (e.g. Schwab), mutual fund company or transfer agent. However, the client will be asked to authorize us with the ability to deduct fees directly from the client's account. This authorization will be to deduct our management fee only. The client's custodian will send quarterly statements to the client showing all distributions for the client's account, including the management fee. We urge clients to carefully review such statements.

At times, we assist some clients with the ability to move money from one account to another. In these situations, the client will sign standing letter of instructions ("SLOA") with the custodian that grants us the ability to facilitate the transfer. When the client's money is transferred between accounts with different titles, this is considered a limited form of custody. In 2017, the SEC issued a no-action letter ("Letter") with respect to the Rule 206(4)-2 ("Custody Rule") under the Investment Advisers Act of 1940 ("Advisers Act"). We and the client's custodian follow the safeguards outlined in the letter. These safeguards include:

- The client provides an instruction to the qualified custodian, in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.
- The client authorizes the investment adviser, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
- The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization and provides a transfer of funds notice to the client promptly after each transfer.
- The client can terminate or change the instruction to the client's qualified custodian.

- The investment adviser has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
- The investment adviser maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.
- The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

16. INVESTMENT DISCRETION

We offer discretionary investment management services. Discretionary portfolio management clients sign an investment management agreement that contains a limited power of attorney granting us discretionary power over the account. In discretionary accounts, we will be allowed to place trades, buy or sell securities of any type and in amounts it deems to be appropriate for the account, without first obtaining the client's consent to each trade. Directions will be given to the account custodian to complete the transaction. We discuss all limited powers of attorney with the client prior to their execution. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the client account, and any other investment policies, limitation or restrictions.

17. VOTING CLIENT SECURITIES

We do not vote proxy solicitations for securities held in client accounts. All proxy solicitations are forwarded directly to the client from the account's custodian. The client may contact us with questions should they arise.

18. FINANCIAL INFORMATION

Registered investment advisors are required in this Item to provide clients with certain financial information or disclosures about our financial condition. Because of our business model, we are not required to produce a balance sheet or other financial information. Also, we have no financial commitment that impairs our ability to service our clients. Finally, we have not been the subject of a bankruptcy proceeding.