Van Sant and Mewshaw, Inc.

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10/23/2018

FORM ADV PART 2
BROCHURE

Material Changes
Change of Principal Office and Place of Business effective October 1, 2018 as noted above.

Since our last Brochure, dated March 17, 2017, no material changes have been made other than an update to the Firm's assets under management (AUM). The AUM information has been updated to reflect values as of 12/31/2017.

This brochure provides information about the qualifications and business practices of Van Sant and Mewshaw, Inc. If you have any questions about the contents of this brochure, please contact us at Van Sant and Mewshaw, Inc. 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 Van Sant and Mewshaw, Inc. is also available on the SEC's website at www.adviserinfo.sec.gov. The searchable IARD/CRD number for Van Sant and Mewshaw, Inc. is 106858.

Van Sant and Mewshaw, Inc. is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

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Advisory Business

Form ADV Part 2A, Item 4

About Our Firm

Van Sant and Mewshaw, Inc. is a sub chapter S Corporation incorporated in the State of Maryland. The firm was founded in 1992. Robert F. Mewshaw is the President and sole stockholder.

The Services We Offer

We provide portfolio management and investment supervisory services to the majority of our clients. These services are provided on a continuing basis. In the course of managing your account we may provide incidental financial planning services. These services include budget management, insurance planning, retirement planning and college funding. Such services will be cursory in nature. A separate fee will not be charged for these services. If any additional fee is to be charged, other than the one specified in the initial client agreement, your consent in advance will be required. We do not hold ourselves out to be Financial Planners engaging in tax, estate, or other comprehensive financial planning. For qualified retirement accounts, Van Sant & Mewshaw, Inc. acts as a 3(38) level fee fiduciary under the Employee Retirement Income Security Act of 1974 (aka ERISA).

How We Provide Those Services

Van Sant and Mewshaw, Inc. will tailor individual client portfolios. These portfolios are constructed based on your needs. This includes your circumstances, goals, objectives, age, available capital, degree of sophistication and risk tolerance. You will deal directly with the investment counselor managing your portfolio. You may choose to have varying levels of involvement with the management of your portfolio. In some cases you may choose to place restrictions on your account regarding specific securities or investment vehicles. If so, you must do this in writing.

Wrap Fee Programs

We do not participate in or offer wrap fee programs.

Assets Under Our Management

As of 12/31/2017 Van Sant and Mewshaw, Inc. had assets under management of $299,064,484.00. One hundred percent (100%) of these assets are managed on a discretionary basis.

Fees and Compensation

Form ADV Part 2A, Item 5

How We Are Compensated For Our Services

Van Sant and Mewshaw, Inc. is a fee-only investment advisor. We are paid fees solely by our clients and no one else. All fees are fully disclosed to our clients and we receive no hidden fees, markups or monetary compensation whatsoever from anyone. This is done to enable us to offer unbiased and unprejudiced advice to our clients without the conflicts of interest that exist on Wall Street. We charge clients a fee for portfolio management and investment supervisory services. These fees are based on a percentage of assets under our management. Our basic fee is one percent (1%) per annum, assessed quarterly (.25%), of assets under our management. This fee is subject to negotiation within a range of three-eighths percentage (.375%) per annum and two percent (2.00%) per annum. For example, an account with a one percent (1%) per annum fee and valued at $250,000 at the beginning of the quarter would be billed $625. ($250,000 x .0025 = $625). In limited cases we may provide consulting services only. We might be asked to review a portfolio and give our opinion or recommendations. For this service we charge an hourly fee at the rate of $500 per hour or an agreed upon flat fee.

How We Receive Payment for Our Services

If you are charged a fee based upon the percentage of assets under our management you may have the fee deducted directly from your brokerage account or you may choose to be billed directly. If you are billed directly, payment is due within 30 calendar days. We bill our clients in advance of each quarter based on the market value at the end of the preceding quarter. For example; an account valued at $250,000 on December 31st, paying a one percent per annum fee, would be charged $625 for the following quarter, January, February and March. We send each client a detailed bill showing how the fee was calculated. We do this for each account that is being charged a fee.

Other Fees You Might Be Charged

There may be other fees and expenses associated with your account. When buying and selling securities there may be transaction costs charged by the broker-dealer. This is discussed in detail in the section **titled Item 12 Brokerage Practices**. When purchasing a mutual fund, be aware all mutual funds have expenses shareholders will incur. All mutual funds have a management fee. Some funds will charge a redemption fee to discourage short-term traders. The redemption fee may cover a period from the day of purchase to a month or even a year. When we buy an ETF or mutual fund you will be sent a prospectus by the broker-dealer. The prospectus will provide detailed information related to the ETF or mutual fund costs. Always read the prospectus because it contains detailed information about cost, performance and the purpose of the mutual fund or ETF.

We Charge You In Advance

We charge our fees on a quarterly basis. These fees are charged in advance as explained above. If you terminate your agreement with us before the end of the quarter, we will calculate a refund. The amount refunded to you will be based on a pro-rated basis. For example: an agreement terminated with thirty (30) days left in the quarter would require a refund of $208 ($625 / 3 = $208). You may terminate your advisory agreement with us at any time for any reason. It's important that your request to terminate your advisory agreement with us be submitted in writing. It should state you wish to terminate and when the termination should take place. If you are due a refund it will be calculated as explained above.

We Are Compensated Only By You; We Accept No Other Compensation

We are paid fees solely by our clients and no one else. We receive no compensation for the sale of securities or any other investment products, including asset-based sales charges, or service fees from the sale of mutual funds.

Performance-Based Fees and Side-By-Side Management

Form ADV Part 2A, Item 6

We Do Not Accept or Participate in Performance-Based Fees.

We do not participate in performance-based fees, that is, fees based on a share of capital gains or capital appreciation of the assets of a client.

Types of Clients

Form ADV Part 2A, Item 7

To Whom We Provide Our Services

We provide portfolio management and investment supervisory services to individuals, pension and profit sharing plans, deferred compensation plans, 401(k) Plan Trustees, 401(k) Plan Participants (portfolio management services limited to self-directed plans), individual retirement accounts (IRAs), trusts, estates, and charitable organizations.

We have a requirement for opening and maintaining an account. We require a minimum aggregate account size of $150,000.

Methods of Analysis, Investment Strategies and Risk of Loss

Form ADV Part 2A, Item 8

How We Manage Your Assets

We manage our client portfolios using a method known as asset allocation. Asset allocation involves dividing an investment portfolio among different asset categories, such as stocks, bonds, and cash. The process of determining which mix of assets to hold in your portfolio is dependent upon your personal situation. The asset allocation that works best for you at any given point in your life will depend largely on your time horizon and your ability to tolerate risk.

Your time horizon is the expected number of months, years, or decades you will be investing to achieve a particular financial goal. Investors with a longer time horizon may feel more comfortable taking on a riskier, or more volatile, investment because they can wait out slow economic cycles and the inevitable ups and downs of markets. By contrast, an investor saving for a teenager's college education would likely take on less risk because he or she has a shorter time horizon.

Risk tolerance is your ability and willingness to lose some or all of your original investment in exchange for greater potential returns. An aggressive investor, or one with a high-risk tolerance, is more likely to risk losing money in order to get better results. A conservative investor, or one with a low-risk tolerance, tends to favor investments that will preserve his or her original investment.

A large part of our job is to construct an asset allocation that is appropriate for your particular situation and monitor the portfolio, addressing the need to rebalance. How your portfolio will be constructed will depend on various factors. Those factors include your appetite for and your ability to shoulder risk, along with your needs and objectives. Your portfolio will consist of different asset classes. The construction and management of the portfolio is our responsibility. Your portfolio may have a varying degree of volatility and turnover. The value of your portfolio is subject to market conditions and you should expect it to fluctuate. No return can be guaranteed and it's important that you recognize that the possibility of principal loss does exist. **It is also important to understand that risk and return are inextricably intertwined. Do not expect high returns without high risk and safety without low returns.**

The Risk Involved With Your Portfolio

Every investment strategy or method carries some degree of risk. When it comes to investing, risk and reward are inextricably intertwined. All investments involve some degree of risk. If you intend to purchase securities such as stocks, bonds, or mutual funds, it's important that you understand, before you invest, that you could lose some or all of your money.

With asset allocation the reward for taking on risk is the potential for a greater investment return. If you have a financial goal with a long time horizon, you are likely to make more money by carefully investing in asset categories with greater risk, like stocks or bonds, rather than restricting your investments to assets with less risk, like cash equivalents. On the other hand, investing solely in cash investments may be appropriate for short-term financial goals. If you want the high returns offered by stocks you are going to have to pay for them by bearing risk. Stated plainly, in the course of pursuing those higher returns your portfolio is going to suffer precipitous declines from time to time.

It is important that you understand the value of your portfolio is subject to market conditions and you should expect it to fluctuate. To what degree it fluctuates will be dependent on how your assets are allocated among stocks, bonds and cash equivalents. No return can be guaranteed. <u>Markets can and do go through extended periods producing low, no and negative returns. It's important that you recognize that you can lose money. We cannot over emphasize: do not expect high returns without high risk and safety without low returns.</u>

The Type of Investments We Use for Your Portfolio

We primarily use index mutual funds when implementing our investment strategy. We may use a traditional open-end index fund, an exchange traded fund (ETF), and, in some situations, an inverse or leveraged index fund. We also might use options on a limited basis.

Index Fund

An index fund is a type of mutual fund whose investment objective typically is to achieve approximately the same return as a particular market index, such as the S&P 500 Composite Stock Price Index, the Russell 2000 Index or the Wilshire 5000 Total Market Index. Some index funds may track a particular country, region, or sector, such as China, Europe, or Energy. An index fund will attempt to achieve its investment objective primarily by investing in the securities (stocks or bonds) of companies that are included in a selected index. Some index funds may also use derivatives (such as options or futures) to help achieve their investment objective. Some index funds invest in all of the companies included in an index; other index funds invest in a representative sample of the companies included in an index. The management of index funds is more "passive" than the management of non-index funds because an index fund manager only needs to track a relatively fixed index of securities. This usually translates into less trading of the fund's portfolio, more favorable income tax consequences (lower realized capital gains), and lower fees and expenses than more actively managed funds. Because the investment objectives, policies and strategies of an index fund require it to purchase primarily the securities contained in an index, the fund will be subject to the same general risks as the securities that are contained in the index. Those general risks are the same as any stock funds and bond funds. In addition, because an index fund tracks the securities on a particular index, it may have less flexibility than a non-index fund to react to price declines in the securities contained in the index.

Exchange Traded Fund (ETF)

Another type of investment company that attempts to track the performance of a market index is an exchange-traded fund (ETF). ETFs are legally classified as either UITs (unit investment trust) or open-end companies, but they differ from traditional UITs and open-end companies in a number of respects. Exchange Traded Funds are traded through a brokerage firm on a stock exchange. Shares of ETFs are traded with other investors who are also going through brokerage firms to facilitate their transactions. All-day trading makes ETFs more flexible than open-end mutual funds where investors must wait until the end of the day to buy and sell shares. ETFs do not necessarily trade at their net asset value (NAV) and cannot be redeemed at their NAV like an open-end fund. Hence, they may sell at a discount or premium to their NAV. ETFs may not call themselves mutual funds.

Inverse and Leveraged Exchanged Traded Funds

In special situations we may use an inverse or leveraged ETF. Leveraged ETFs seek to deliver multiples of the performance of the index or benchmark they track. Inverse ETFs (also called "short" funds) seek to deliver the opposite of the performance of the index or benchmark they track. Like traditional ETFs, some leveraged and inverse ETFs track broad indices, some are sector-specific, and others are linked to commodities, currencies, or some other benchmark. Inverse ETFs often are marketed as a way for investors to profit from, or at least hedge their exposure to, downward moving markets.

Leveraged inverse ETFs (also known as "ultra short" funds) seek to achieve a return that is a multiple of the inverse performance of the underlying index. An inverse ETF that tracks a particular index, for example, seeks to deliver the inverse of the performance of that index, while a 2x (two times) leveraged inverse ETF seeks to deliver double the opposite of that index's performance. To accomplish their objectives, leveraged and inverse ETFs pursue a range of investment strategies through the use of swaps, futures contracts, and other derivative instruments.

Most leveraged and inverse ETFs "reset" daily, meaning that they are designed to achieve their stated objectives on a daily basis. Their performance over longer periods of time—over weeks or months or years—can differ significantly from the performance (or inverse of the performance) of their underlying index or benchmark during the same period of time. This effect can be magnified in volatile markets. As the examples below demonstrate, an ETF that is set up to deliver twice the performance of a benchmark from the close of trading on Day 1 to the close of trading on Day 2 will not necessarily achieve that goal over weeks, months, or years.

The following two real-life examples illustrate how returns on a leveraged or inverse ETF over longer periods can differ significantly from the performance (or inverse of the performance) of their underlying index or benchmark during the same period of time.

Between December 1, 2008, and April 30, 2009, a particular index gained 2 percent. However, a leveraged ETF seeking to deliver twice that index's daily return fell by 6 percent—and an inverse ETF seeking to deliver twice the inverse of the index's daily return fell by 26 percent.

During that same period, an ETF seeking to deliver three times the daily return of a different index fell 53 percent, while the underlying index actually gained around 8 percent. An ETF seeking to deliver three times the inverse of the index's daily return declined by 90 percent over the same period.

How can this apparent breakdown between longer term index returns and ETF returns happen? Here's a hypothetical example: let's say that on Day 1, an index starts with a value of 100 and a leveraged ETF that seeks to double the return of the index starts at $100. If the index drops by 10 points on Day 1, it has a 10 percent loss and a resulting value of 90. Assuming it achieved its stated objective, the leveraged ETF would therefore drop 20 percent on that day and have an ending value of $80. On Day 2, if the index rises 10 percent, the index value increases to 99. For the ETF, its value for Day 2 would rise by 20 percent, which means the ETF would have a value of $96. On both days, the leveraged ETF did exactly what it was supposed to do—it produced daily returns that were two times the daily index returns. But, let's look at the results over the 2 day period: the index lost 1 percent (it fell from 100 to 99) while the 2x leveraged ETF lost 4 percent (it fell from $100 to $96). That means that over the two day period, the ETF's negative returns were 4 times as much as the two-day return of the index instead of 2 times the return. <u>Greater leverage can produce greater risk.</u>

Leveraged or inverse ETFs carry higher expenses than traditional ETFs. They also may be less tax-efficient than traditional ETFs, in part because daily resets can cause the ETF to realize significant short-term capital gains that may not be offset by a loss.

When we buy any ETF or mutual fund you will be sent a prospectus by the broker-dealer. It's important to read the prospectus, which provides detailed information related to the ETF's or mutual fund's investment objectives, principal investment strategies, risks, and costs. <u>Always read the prospectus.</u>

Options

We also may use options to hedge existing positions and as a tool to give our portfolios limited protection from steep market declines. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an underlying asset at a specific price on or before a certain date. An option, just like a stock or bond, is a security. It is also a binding contract with strictly defined terms and properties; based on the exchange where the option is listed. The purchase of an option is an added cost to your portfolio (more on the risk of options below).

There are two types of options: calls and puts.

A call gives the holder the right to buy an asset at a certain price within a specific period of time.

A put gives the holder the right to sell an asset at a certain price within a specific period of time.

We may use options as a way to hedge your portfolio or limit the risk in a particular security. Below are the strategies which we may use in your portfolio.

<u>Covered Call Writing</u>

This strategy is used to enhance portfolio income and offer some protection against loss. The owner of 100 (or more) shares of an exchanged traded fund (ETF) sells (writes) a call option against that ETF. The option buyer pays a premium, and in return gains the right to buy those 100 shares at an agreed upon price (strike price) for a limited time (until the option expires). If the ETF undergoes a significant price increase, that option owner reaps the profits that otherwise would have gone to the ETF holder. The ETF holder receives cash up-front. That cash increases the portfolio’s income and offers some protection against a decline in the ETF price. Thus, the owner of the ETF (the covered call writer) sacrifices the possibility of earning profits over and above that previously agreed upon price in exchange for the immediate cash payment.

<u>Put Hedging</u>

Put options grant the owner of the underlying ETF the right to sell 100 shares of the ETF at the strike price. Hedging with a put does not necessarily provide 100 percent protection, but it can limit losses to a set percentage amount. It's similar to buying an insurance policy with a deductible. The advantage of buying a put hedge is that losses are limited. By selecting the appropriate strike price for the underlying security you are protected by a specific selling price, thus helping to protect the value of your portfolio.

The Collar

This is another strategy for protecting portfolio value against a market decline. It may also be used to lock-in profits from an existing position. The collar is a combination of the two methods noted above. To build a collar, the owner of 100 shares buys one put option, obtaining the right to sell those shares, and sells a call option, granting someone else the right to buy the same shares.

Cash is paid for the put at the same time cash is collected when selling the call. Depending on the strike prices chosen, the collar can often be established for zero out-of-pocket cash. That means the investor is accepting a limit on potential profits in exchange for protection of the value of his or her holdings.

The risk of buying an option (as you would with a put hedge or a collar) is losing the entire amount paid for the option in a relatively short period of time. This risk reflects the nature of an option as a wasting asset which may become worthless when it expires. An option holder who neither sells nor exercises it prior to its expiration may lose the entire amount paid for the option. When your account is approved for option trading, you will receive from the broker-dealer “Characteristics and Risk of Standardized Options”. This provides more detailed information regarding the risks of Options.

Disciplinary Information

Form ADV Part 2A, Item 9

Legal or Disciplinary Events or Proceedings Against Our Firm

We have never been subject to a criminal or civil action in a domestic, foreign or military court of competent jurisdiction.

We have never been subject to an administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or foreign financial regulatory authority.

We have never been subject to a proceeding of a self-regulatory organization (SRO) for any violations of rules or procedures.

Other Financial Industry Activities and Affiliations

Form ADV Part 2A, Item 10

We Have No Other Financial Industry Activities or Affiliations

We are not registered and have no applications pending to be registered as a broker-dealer or registered representative for a broker-dealer.

We are neither registered nor have any applications pending to be registered as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.

We do not have any relationship or arrangement with any other persons that is material to our advisory business.

We do not recommend or select other investment advisers for our clients.

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

Form ADV Part 2A, Item 11

Our Code of Ethical Conduct

We have adopted a code of ethical conduct for our employees and any related persons. Our success depends on our clients and the public's confidence in our integrity and professionalism. To ensure and maintain that confidence our behavior and actions must be above reproach. We must always strive to avoid activities, interests, and relationships that would be a conflict of interest between ourselves and our client(s). When a conflict of interest between ourselves and our client(s) is unavoidable it is important that we acknowledge it, address it, and inform our client(s) that it exists. Our code of ethical conduct addresses issues such as: safe guarding of client information, recognizing the need for client privacy, maintaining confidentiality of all client records, and the buying and selling of securities by our employees or anyone related to them for their personal accounts. In essence, the duty to place the interest of our clients comes first at all times. We will provide a copy of our code of ethical conduct to any client or prospective client upon request.

Other Interest

We do not have or maintain any material interest in any securities, partnerships, or investment companies.

If We Invest in the Same Securities as You

We may as individuals, invest in the same securities that we recommend to our clients. When we do, we require that all personal securities transactions be conducted in such a manner as to be consistent with our code of ethical conduct and to avoid any actual or potential conflict of interest. When there is an event or major change in the vast majority of our clients' portfolios that involves a specific security, we may place that security on our "Restricted List". When a security is placed on the "Restricted List" it will be at the direction of the Chief Compliance Officer (CCO) or Assistant Compliance Officer. When a security is place on the "Restricted List" all employees or related persons are prohibited from engaging in any transactions in that security until the restriction is lifted.

If We Invest in the Same Securities as You at the Same Time

Sometimes we may buy or sell, for our personal or related accounts, the same securities that we recommend for our clients at or about the same time. This could present a potential conflict of interest. We have policies in place that address such situations. Should this occur, the client will always be allocated the best execution price. It is our policy that all trading in employee or employee related accounts is recorded, reviewed and approved by the Chief Compliance Officer (CCO) or Assistant Compliance Officer(ACO) on a daily basis. No employee or employee related account will trade or give the appearance of trading against client accounts. That is, putting their personal interest before yours. This is a serious matter which could jeopardize the integrity of our firm; an employee found in deliberate violation of this policy could face dismissal.

Brokerage Practices

Form ADV Part 2A, Item 12

Factors We Consider in Selecting Broker-Dealers for Client Transactions

The Custodian and Brokers We Use

We do not maintain custody of your assets that we manage and which we advise. Your assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. We recommend that our clients use Charles Schwab & Co. (Schwab) as the qualified custodian. The majority of our accounts are held at Schwab. However, in some circumstances we may recommend another broker-dealer as the qualified custodian. All are registered broker-dealers and members of SIPC. We are independently owned and operated and are not affiliated with any broker-dealer, or any other firm or entity. Schwab will hold your assets in a brokerage account and buy and sell securities when we instruct them to. While we recommend that you use Schwab as custodian and broker-dealer, you will decide whether to do so and will open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you, although we may assist you in doing so. Even though your account is maintained at Schwab, we can still use other brokers to execute trades for your account (see brokerage and custody costs).

You may choose another custodian for your assets other than the one we recommend. Even though your account may be maintained at Schwab, we can still use other brokers to execute trades for your account as described below. Your assets will be held in a brokerage account and securities will be bought and sold at our instruction on your behalf.

How We Select Brokers/Custodians

We select a custodian/broker-dealer who will hold your assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- The capability to execute, clear, and settle trades (buys and sells securities for your account)
- The capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange traded funds [ETFs], etc.)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services

- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices

- Reputation, financial strength, and stability

- Prior service to us and our other clients

- Availability of other products and services that benefit us, as discussed below (see “Products and Services Available to Us From Schwab”)

Your Brokerage and Custody Cost

For our clients’ accounts that Schwab maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle in your Schwab account. Schwab’s commission rates applicable to our client accounts were negotiated based on the condition that our clients collectively maintain a total of at least $10 million of their assets in accounts at Schwab. This commitment benefits you because the overall commission rates you pay are lower than they would be otherwise. In addition to commissions, Schwab charges you a flat dollar amount as a “prime broker” or trade away fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have Schwab execute most trades for your account. We have determined that having Schwab execute most trades is consistent with our duty to seek “best execution” of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see “How We Select Brokers /Custodians”).

Products and Services Available to Us From Schwab

Schwab Advisor Services™ (formerly called Schwab Institutional) is Schwab’s business serving independent investment advisory firms like ours. They provide us and our clients with access to its institutional brokerage trading, custody, reporting, and related services many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients’ accounts, while others help us manage and grow our business. Schwab’s support services generally are available on an unsolicited basis (we don’t have to request them) and at no charge to us as long as our clients collectively maintain a total of at least $10 million of their assets in accounts at Schwab. If our clients collectively have less than $10 million in assets at Schwab, Schwab may charge us quarterly service fees of $1,200. Following is a more detailed description of Schwab’s support services:

Services That Benefit You

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

Services That May Not Directly Benefit You

Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)

- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts

- Provide pricing and other market data

- Facilitate payment of our fees from our clients' accounts

- Assist with back-office functions, recordkeeping, and client reporting

Schwab Services That Generally Benefit Only Us

Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events

- Consulting on technology, compliance, legal, and business needs

- Publications and conferences on practice management and business succession

- Access to employee benefits providers, human capital consultants, and insurance providers

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

Our Interest in Schwab's Services

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services so long as our clients collectively keep a total of at least $10 million of their assets in accounts at Schwab. Beyond that, these services are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. The $10 million minimum may give us an incentive to recommend that you maintain your account with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services (see "How We Select Brokers/Custodians") and not Schwab's services that benefit only us. We have over $180 million of client assets under management, and we do not believe that recommending our clients to collectively maintain at least $10 million of those assets at Schwab in order to avoid paying Schwab quarterly service fees presents a material conflict of interest.

Research and Other Soft Dollar Benefits

We do not receive research or other products or services other than execution from a broker-dealer or third party in connection with client securities transaction. In exchange for receiving research or other products some advisors will place their clients' trades through a specific broker-dealer. This can result in having the clients pay a higher rate of commission or mark-up in the securities they purchase. Such a practice is known as "soft dollar benefits". We do not participate in or receive soft dollar benefits.

Brokerage for Client referrals

We do not receive or participate in any client referral program with any broker-dealer or third party. A client referral program is where an advisor will receive referrals from a broker-dealer or some third party in exchange for the advisor using that broker-dealer or the third party's services. We do not participate in any such programs.

Directed Brokerage

We do not participate in directed brokerage or permit clients to do so. Directed brokerage is when a client requests or requires us to execute transactions for their account through a specified broker-dealer other than the broker-dealer who has custody of the account. By allowing directed brokerage we may be unable to ensure the most favorable execution of client transactions. This would also mean extra cost for the client. We do not participate in directed brokerage or permit clients to do so.

Aggregating Orders for Client Accounts

When purchasing or selling securities for client accounts, we sometimes have the opportunity to aggregate or "bunch" the orders. Aggregating or bunching orders happens when the same security is going to be bought or sold for various client accounts. Instead of separate trades being placed for each individual account, one large "block" order is placed and executed. If the execution price varies, the total sum of the order is calculated and an average price is determined. This is done to ensure no one client is favored over another. The securities are then allotted to the subsequent client accounts. Generally, aggregating or bunching orders results in a better execution.

Review of Accounts

Form ADV Part 2A, Item 13

How We Review Client Accounts

We conduct a systematic review of client accounts on a monthly basis as a matter of course. This review is done by the Chief Investment Officer (or his assistant) or the Chief Compliance Officer (or his assistant). The client accounts are reviewed for cash flows and net returns for the period. Any "unusual" cash deposits or withdrawals or variance in portfolio return would cause the account to be pulled for a full review. When we conduct a review of an individual account we:

- Compare account holdings against client guidelines or restrictions placed on the account.

- Compare account transactions against client investment guidelines and or restrictions.

- Compare performance of accounts with the stated objectives.

- Compare performance of accounts to detect any misallocation of investments or breaches of fiduciary responsibility.

The investment counselor assigned to your account is responsible for the day to day management. They will be in direct contact with you. <u>It will be your responsibility to inform us of any material changes that would change the way your account is being managed.</u> This is to ensure that your portfolio is in line with the stated objectives or any other relevant guidelines.

When and Why We May Review Client Accounts

We may review accounts at anytime for various reasons, such as market volatility, change in interest rates, geo-political events etc. A client may request that their account be reviewed at any time for any reason.

The Reports We Send to You

We issue quarterly portfolio reports for each client account for which we provide portfolio management services. This report is divided into three segments:

1. <u>**The Portfolio Statement**</u> which provides description of the investment, the percentage weighting of the investment, the quantity, cost basis, current value, and unrealized gain or loss.

2. **<u>The Portfolio Performance Summary</u>** which provides (one year and year to date) the beginning value of the portfolio, net contributions, ending value, investment gain or loss, and percentage return for the period.

3. **<u>The Billing Statement</u>** which provides an itemized account of how your management fee was calculated for the period (see Fees and Compensation).

Other reports are available upon request, such as: Realized Gains and Losses, Income Report, Expense Report, and Deposit/Withdrawals.

<u>Important: You should compare the statement you receive from the custodian (in most cases that will be Charles Schwab) of your account with the ones you receive from us. If there are any discrepancies or something you do not understand you should contact us or the custodian to get clarification. There is no such thing as a dumb question when it comes to your money.</u>

Client Referrals and Other Compensation

Form ADV Part 2A, Item 14

Products and Services Made Available to Us from Your Custodian

We receive an economic benefit from Charles Schwab. This benefit is in the form of the support products and services Schwab makes available to us and other independent investment advisors whose clients maintain their accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described in **Item 12 Brokerage Practices.** The availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

Client Referrals

We do not compensate any person or other entity for client referrals.

Custody

Form ADV Part 2A, Item 15

How We Handle Custody of Your Funds and Securities

We do not have custody of client funds or securities. We will not accept custody of client funds or securities. Charles Schwab or another qualified broker-dealer will maintain actual custody of your assets. All checks or any other negotiable securities, which are to be deposited to your account are to be made payable to or endorsed to the qualified broker-dealer who maintains custody of your assets. You will receive account statements directly from the qualified broker-dealer who maintains custody of your assets. In almost all situations this will be Charles Schwab. They will be sent to the email or postal mailing address you provided to Schwab or another qualified broker-dealer.

Important: When you receive your statement from Charles Schwab or another qualified broker-dealer you should review it carefully. You should compare and reconcile the statement with the quarterly one you receive from us.

Form ADV Part 2A, Item 16

How We Use Discretion to Manage the Investments in Your Account

You Give Us the Authority to Make Investment Decisions on Your Behalf

We accept and use discretionary authority to manage accounts on behalf of our clients. When you grant us discretion you authorize us to buy, sell or otherwise trade securities or other investments in your account without discussing these transactions with you in advance. Such securities may include, but are not limited to, stocks, bonds, no-load mutual funds, exchange traded funds, money market mutual funds, options, foreign securities, and securities of the U.S. government and its agencies. In essence, this gives us full decision-making authority regarding investments and transactions in your account. It also authorizes us to take any other necessary action in connection with the completion and payment of transactions in your account.

Limitations That You May Place on Discretionary Authority

While we have discretion in your account you may choose to have varying levels of involvement with the management of your portfolio. In some cases you may choose to place restrictions on your account regarding specific securities or investment vehicles. If you choose to place any restrictions or limitations you must do so in writing.

How You Give Us Discretion

When you open an account with the broker-dealer that has custody over your assets (in almost all cases that will be Charles Schwab) you will authorize them to grant us discretion on your behalf. Generally this authorization will be encompassed in the new account agreement that you sign when opening your account with the broker-dealer. Sometimes it might be a separate document. It may appear as “Limited Trading Authorization,” “Trading and Disbursement Authorization,” or “Trading Authorization.” You should review it carefully for a full understanding of what it authorizes us to do on your behalf.

Voting Client Securities

Form ADV Part 2A, Item 17

How We Vote Proxies for Your Securities

The act of managing assets for our clients may include the voting of proxies related to securities held in their account. You have the option to delegate that authority to us or to do it yourself. Where the power to vote by proxy has been delegated to us, we have the responsibility for voting in a manner that is in your best interests. Should a potential conflict of interest arise from the proxy proposals being voted upon, we will inform you and allow you to direct the vote. It is our policy to vote proxies related to securities held in the accounts of our clients in a manner that is in their best interest. We keep certain records required by applicable law in connection with our proxy voting activities for our clients. We will provide this proxy-voting information to you upon request. We also have a written policy for voting proxies and will provide this to you upon request.

If We Don't Have Authority to Vote Proxies for Your Securities

Should we not have the authority to vote proxies on your behalf, you will receive the proxy statement and related information directly from the custodian of your account. If you have questions about a particular solicitation, you may contact us and we will attempt to help you or provide clarification on the issues.

Financial Information

Form ADV Part 2A, Item 18

The Following Items are Not Applicable to Us

Not Applicable

If an adviser requires or solicits prepayment of more than $1,200 in fees per client, six months or more in advance, they must provide a balance sheet for their most recent fiscal year. We do not engage in this practice.

Not Applicable

An advisor is required to disclose any financial condition that is reasonably likely to impair their ability to meet contractual commitments to clients. We suffer from no such condition.

Not Applicable

An advisor is required to disclose if they have ever been subject to a bankruptcy petition. We have never been subject to a bankruptcy petition.