

**Item 1 – Cover Page ADV Part 2A Firm Brochure**



Columbia Advisory Partners, LLC

3918 N. Post St.

Spokane, WA 99205

509 822-3850

[www.capnorthwest.com](http://www.capnorthwest.com)

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This disclosure brochure provides information about the qualifications and business practices of Columbia Advisory Partners, LLC. If you have any questions about the contents of this disclosure brochure, please contact Kimberly Smith at (509) 822-3850 or [kim@capnorthwest.com](mailto:kim@capnorthwest.com). The information in this disclosure brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Columbia Advisory Partners, LLC is also available on the Internet at <http://www.adviserinfo.sec.gov>. Columbia Advisory Partners, LLC's CRD number is 171616.

## **Item 2 – Material Changes**

Columbia Advisory Partners, LLC is required to advise clients and prospective clients of any material changes to this Form ADV Part 2A Brochure (“Brochure”) from our last annual update dated January 24, 2020.

Clients will receive an annual summary of any material changes to this and subsequent Brochures no later than April 30, which is 120 days after our fiscal year-end. At that time we will offer either a full copy of our most current Brochure or details related to all material changes with an offer to provide a full copy of this Brochure. We will also promptly provide ongoing disclosure information about material changes as necessary.

Please note that we do not have to provide this information to a client or prospective client who has not received a previous version of our Brochure.

We have made no material changes since the last update of this document noted above; however we have updated the narrative and descriptions throughout this brochure to provide additional clarity around our advisory services and conflicts of interest. We encourage you to read our brochure in its entirety and let us know if you have any questions.

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## **Item 4 – Advisory Business**

Columbia Advisory Partners, LLC (“CAP,” “we,” or “our”) was formed in June of 2004 to provide accounting services. Investment advisory services were added in June of 2014. CAP is owned by Kimberly Patricia Smith, Steven Larsen, Jeremy Russell and Matthew Foust, all of whom are also investment advisory representatives of CAP.

Investment advisory services of CAP are provided to you through an appropriately licensed and qualified individual who is registered as an investment advisory representative (“IAR”) of CAP.

### ***Services***

We offer comprehensive financial planning and discretionary investment management services. Before providing services, we enter into an investment management and financial planning agreement (“Agreement”). The Agreement describes the specific services and the related fees. When providing ongoing discretionary investment management services, we charge either an asset-based fee or we will negotiate an annual flat fee based on our estimate of time and the complexity of services provided. Clients can terminate their Agreement without penalty within five business days after entering into the Agreement with us.

### ***Financial Planning Services***

We believe a written and comprehensive financial plan is the foundation which will guide you through every financial decision you make. Our planning is comprehensive and incorporates all aspects of a client’s life, including but not limited to:

- Cash flow
- Tax planning
- Retirement Planning
- Education Planning
- Estate planning
- Risk Management

With a thorough understanding of your objectives and needs, we work with you to formulate a plan that includes an integrated set of strategies based on established planning and investment techniques. We then periodically review and measure your progress to remain aligned with your plan. This process keeps our understanding of your situation fresh and allows us to update your plan as needed. We charge separately for financial planning as detailed below in Item 5 – Fees.

Clients are under no obligation to implement their financial plan through CAP or engage the services of any CAP recommended professional. Implementation of your plan is at your sole discretion.

### ***Discretionary Investment Management Services***

Once your initial plan is developed, we work with you to systematically implement your strategies, including the construction of a customized investment portfolio. We manage portfolios on a discretionary basis, typically using strategies that contain mutual funds, ETFs, individual equities, and fixed income solutions, though we are not limited to specific security types. Clients enter into an investment advisory agreement (“Agreement”) with CAP that describes the services and fees we will provide, and also grants us limited power of attorney to enter transactions for you on a discretionary basis.

You may place restrictions on how we manage your assets, though we reserve the right to refuse restrictions we think are too operationally difficult to implement, or that we believe are not in your best interests.

We do not participate in any wrap fee programs.

### ***Amount of Assets Under Management***

As of December 31st, 2019, Columbia Advisory Partners, LLC had \$124,000,000 in assets under management on a discretionary basis and \$0 on non-discretionary basis.

## **Item 5 – Fees and Compensation**

### ***Financial Planning Fees***

Planning fees are based on the number of hours it will take to complete the planning engagement. Fees are billed at an hourly rate ranging from \$150 - \$250 depending on the financial planner assigned to the engagement and the details and complexity of the issues. We provide an estimate of the number of hours required to complete the financial planning engagement prior to beginning the planning work, which will be detailed in the Agreement between us. We require one half of the estimated total before beginning the planning process. Upon completion of the financial planning engagement you will receive an invoice for the balance due. Payment for financial planning services can be made via check, credit card, or electronic funds transfer. At no time do we charge more than \$1,200, six or more months in advance.

For fees paid by electronic funds transfer, we use an independent 3rd party payment processor in which you can securely input your banking information and pay the fee. We do not have access to your banking or credit card information at any time. You will be provided with your own secure portal to make payments.

You may terminate the Agreement at any time by means of a written request, but you will be responsible for paying fees associated with any work completed to that point. All fees are negotiable on a case-by-case basis, at the sole discretion of CAP.

### ***Investment Management Fees – Assets Under Management (“AUM”) Basis***

Our AUM fees for investment management services are calculated and billed monthly in arrears and are based on the average daily balance of your account(s) during the month based on the following schedule and are negotiable in our sole judgment. Not all clients pay the same fees, but no client pays more than shown below. The actual fees you will be charged will be described in your Agreement with us.

<b>Assets Under Management</b>	<b>Annual Fee</b>
Under \$250,000	1.25%
Next \$250,001 - \$1,000,000	1.00%
Next \$1,000,001 - \$2,000,000	.85%
Next \$2,000,001 - \$3,000,000	.70%
Next \$3,000,001 and above	.50%

### ***Investment Management Fees – Negotiated Fixed Monthly Fee***

At the sole discretion of CAP and depending on the complexity of your specific circumstances and needs, we negotiate a fixed monthly fee which ranges from \$100 to \$1,000 per month. Clients paying a fixed monthly fee may pay a fee higher or lower than an asset-based fee. Fixed fees billed and deducted directly from your

investment account(s) are billed monthly in arrears. Fixed fees paid through electronic funds transfer are invoiced and paid monthly in advance.

As noted above, for fees paid by electronic funds transfer or credit card, we use an independent 3rd party payment processor in which you can securely input your banking information and pay the fee. We do not have access to your banking or credit card information at any time. You will be provided with your own secure portal to make payments.

If you are paying for our services under a fixed fee arrangement and you terminate our services prior to the end of the billing period, we will refund the portion of fees paid, but unearned during the billing period.

The Agreement between us grants us authority to instruct your custodian to deduct the fees directly. If there is insufficient cash in your account to pay your fees, or if we do not receive payment under a fixed-fee Agreement, an equal balance of securities in your portfolio may be sold to pay our fee. The fee charged will appear on the statements the custodian provides to you and we encourage you to review the statement carefully and compare it to the terms of your Agreement with us. Your custodian will not independently confirm the accuracy of the fees we ask them to deduct.

You will incur additional fees and costs, beyond our advisory fees. These include brokerage and custodial charges that are described more fully in Item 12, Brokerage Practices. Also, to the extent we invest in mutual funds or ETFs for your portfolio, those investments include internal management fees and other costs that are expressed as the funds "expense ratio" and that are separate from and in addition to our own management fees. We try to select funds and ETFs that have low expense ratios and that will therefore have a lower negative impact on return over time.

We do not impose a minimum fee or account size to establish a relationship.

### ***Termination***

Our advisory services may be terminated at any time, by any of the parties, for any reason, upon receipt of written notice to the other party. Services will be terminated without penalty and we will cooperate fully in any requests to deliver funds and securities held in your account(s) to another custodian. Your custodian may charge an Account Transfer fee, which is detailed in their fee schedules. If we decide to initiate termination of our services, we will provide you written notice.

### ***Additional Compensation***

Representatives of CAP may also be licensed to sell insurance products with various unaffiliated insurance companies as described in their individual ADV Part 2B supplements. They will earn customary commission for that sale of such products purchased for a client's account. This represents a conflict of interest in that they may recommend purchasing insurance products based on compensation received rather than on the needs of the client. To mitigate this conflict of interest, our practice is to fully disclose to you when a particular transaction will result in the receipt of commissions or other associated fees. You are never obligated to purchase insurance products through your CAP representative.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

We are not compensated on the basis of a share of capital gains upon or capital appreciation of the assets we manage for clients (performance-based fees) and this section is therefore not applicable to our business.

## **Item 7 – Types of Clients**

We provide investment advice to individuals, high net worth individuals, corporations and 401(k) retirement plans.

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

### ***Methods of Analysis***

Our firm utilizes the investment concepts described in Modern Portfolio Theory, which holds that the goal of an efficient portfolio is to minimize investment risk and maximize return. This is accomplished through diversified portfolios comprised predominantly of mutual funds representing various asset classes. The appropriate mix of asset classes for each portfolio is determined using asset allocation software, and mutual fund selection involves rigorous, regular reviews of mutual fund performance for each asset class.

Some of the risks involved with using this method include the risk that the analysis will not identify the investments that perform best over any specific future time frame, investments fail to outperform the return of their asset class benchmark, and the investments lose value.

We also heavily rely on fundamental analysis when formulating investment advice. Fundamental analysis is a method of evaluating a security by attempting to measure its intrinsic value by examining related economic, financial and other qualitative and quantitative factors. Fundamental analysts attempt to study everything that can affect the security's value, including macroeconomic factors (like the overall economy and industry conditions) and individually specific factors (like the financial condition and management of a company). The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). Fundamental analysis is considered to be the opposite of technical analysis. Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

On a much more infrequent basis, we may use technical analysis which is a method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. Technical analysts believe that the historical performance of stocks and markets are indications of future performance.

Technical analysis is even more subjective than fundamental analysis in that it relies on proper interpretation of a given security's price and trading volume data. A decision might be made based on a historical move in a certain direction that was accompanied by heavy volume; however, that heavy volume may only be heavy relative to past volume for the security in question, but not compared to the future trading volume. Therefore, there is the risk of a trading decision being made incorrectly, since future trading volume is an unknown.

### ***Investment Strategies***

Columbia Advisory Partners, LLC uses the following investment strategies when managing client assets and/or providing investment advice:

- Long term purchases: Investments held 8 years or longer.
- Medium term purchases: Investments held 2 years to 8 years.
- Short term purchases: Investments held 6 months to 2 years.
- Highly Liquid purchases: Investments held for immediate access.

Where appropriate, CAP will use model portfolios to manage client assets. Model portfolios are built to align with the risk tolerance of the investor and will range from conservative to aggressive. Based on your risk tolerance and suitability information, you will be placed in a model that matches your objectives and time horizon. Model portfolios are reviewed on no less than a quarterly basis to determine if the investments are still appropriate for your objectives.

### **Risk of Loss**

**Asset Allocation.** The primary risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the proportions of different asset types will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

All investing involves risks that clients must be prepared to bear. While losses can and will occur, we generally recommend a broad and diversified allocation of mutual funds and ETFs, thereby reducing specific risks associated with a concentrated or undiversified portfolio. Below are some of the risks present with investing generally, as well as some key risks of different types of investments. In general, investing in securities with concentrated exposures to (i) particular asset class(es) and/or (ii) a particular sector and/or (iii) one or a select few markets involves greater risk than investing in investments that have greater diversification.

**Equity-Related Securities.** Prices of common stock react to the economic conditions of the company that issued the security; industry and market conditions; as well as other factors, and may fluctuate widely. Investments related to the value of stocks may rise and fall based on an issuer's actual and anticipated earnings, changes in management, the potential for takeovers and acquisitions, and other economic factors. Similarly, the value of other equity-related securities, including preferred stock, warrants and options may also vary widely. Market conditions may affect certain types of stocks (such as large-cap or technology-related) to a greater extent than other types of stocks. If the stock market declines, the value of a portfolio will also likely decline and, although stock values can rebound, there is no assurance that values will return to previous levels.

**Exchange-Traded Funds.** Exchange-traded funds ("ETFs") are funds bought and sold on a securities exchange that attempt to track the performance of a specific index (such as the S&P 500), a commodity, or a basket of assets (such as a set of technology-focused, country-specific, or other sector-specific stocks). The risks of owning an ETF generally reflect the risks of owning the underlying securities they are designed to track, although lack of liquidity in an ETF could result in its being more volatile than the underlying securities. ETFs have management fees that increase their costs. ETFs are also subject to other risks, including: the risk that their prices may not correlate perfectly with changes in the underlying index (tracking error); the risk that the ETF will trade at prices that differ, sometimes materially, from the ETF's net asset value; and illiquidity risk, especially for narrowly-focused ETFs, including the risk of possible trading halts.

**Fixed-Income Securities.** Prices of fixed income instruments (e.g., bonds) can exhibit some volatility and change daily. Investments in fixed income instruments present numerous risks, including credit, interest rate, reinvestment and prepayment risk, all of which affect the price of the instruments. For instance, a rise in interest rates will generally cause the price of bonds to go down. If the security is held to maturity and the issuer does not default, the client should receive the face amount of the bond at the maturity date, as well as stated interest payments while the bond is held. In this case, the change in price prior to maturity may not affect the client. If the client needs to sell prior to maturity, however, the investor would likely experience a loss. Where a client's fixed income exposure is to bond funds or fixed-income ETFs, the fund or ETF does not itself "mature," although different issues held by the fund/ETF will mature and will experience price fluctuations. Investors are therefore highly dependent on the manager's ability to accurately anticipate the impact of rate changes and to appropriately manage the portfolio to achieve both adequate returns and reasonable risk. The US has experienced a prolonged



period of historically low interest rates; future increases in rates could have a material negative impact on the value of current fixed income holdings. In addition, the value of fixed income instruments may decline in response to events affecting the issuer, its credit rating or any underlying assets backing the instruments.

**Foreign Market Risk.** The securities markets of many foreign countries, including emerging countries, have substantially less trading volume than the securities markets of the United States, and securities of some foreign companies are less liquid and more volatile than securities of comparable United States companies. As a result, foreign securities markets may be subject to greater influence by adverse events generally affecting the market, by large investors' trading significant blocks of securities, or by large dispositions of securities, than as it is in the United States. Further, many foreign governments are less stable than that of the United States. There can be no assurance that any significant, sustained instability would not increase the risks of investing in the securities markets of certain countries. While We typically gains exposures to foreign markets through ETFs or mutual funds, rather than investing directly in foreign securities, the limited liquidity of some foreign markets may affect our ability to acquire or dispose of securities at a price and time it believes is advisable. We may also obtain exposure to international markets through debt instruments with multi-national banks. These securities pose the risks associated with domestic fixed-income securities, as well as the risks posed by foreign securities.

**Inflation Risk.** When inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation. This affects all investments, but longer-term fixed income securities are particularly susceptible.

**Liquidity Risk.** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not. Certain instruments may have no readily available market or third-party pricing. Some private placements, for example, have virtually no secondary market. Interval funds offer periodic purchase and/or redemptions through the issuer, subject to specific restrictions. Reduced liquidity may have an adverse impact on market price and the ability to sell particular securities when necessary to meet cash needs or in response to a specific economic event, such as the deterioration of creditworthiness of an issuer. Reduced liquidity in the secondary market for certain securities may also make it more difficult to obtain market quotations based on actual trades for the purpose of valuing the security. Clients should invest in illiquid (or relatively illiquid) assets only to the extent they have adequate other liquid assets available to fund current and ongoing cash requirements.

**Market Risk.** The price of any security, including stocks, bonds, ETFs, or mutual funds may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a particular security's underlying circumstances. For example, political, economic and social conditions may trigger market events.

**Mutual Funds.** These are professionally-managed investments that pool money from multiple investors to purchase securities. Mutual funds may be broad-based (e.g., focused on the market overall, or focused on large-capitalization companies), or they can be more narrow in scope, such as those focused on the technology industry or the securities of specific country. The risks of mutual funds are generally connected to the risks of the underlying securities they hold. Mutual funds do not trade on an exchange but are priced daily based on the net asset value of the securities held in the fund. Investors buy or sell fund shares based on that end-of-day price.

## **Item 9. Disciplinary Information**

Investment advisors are required to disclose specific regulatory and legal events, as well as other events that would be material to your evaluation of CAP or its management's integrity. We do not have anything to disclose in response to this item.

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

Neither CAP nor any of our IAR's are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Neither CAP nor any of our IAR's are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of those entities.

As noted in item 5, above, you may work with your IAR in his or her separate capacity as an insurance agent and/or benefits consultant. When acting in this capacity, they will receive typical and customary commissions for the sale of insurance products/services and this presents a conflict of interest. Clients are never obligated to follow recommendations made or to purchase insurance products through their advisory representative.

Additionally, CAP provides accounting and business consulting services on a limited basis. We do not have signatory authority over any client accounts.

These activities account for approximately 5% of business hours for CAP.

## **Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading**

### ***Code of Ethics Summary***

An investment adviser is considered a fiduciary and has a fiduciary duty to all clients. CAP has established a Code of Ethics to comply with the requirements of the securities laws and regulations that reflects its fiduciary obligations and those of its supervised persons. The Code of Ethics also requires compliance with federal securities laws. CAP's Code of Ethics covers all individuals that are classified as "supervised persons". All employees, officers, directors and IAR's of CAP are classified as supervised persons. We require our supervised persons to consistently act in your best interest at all times. CAP imposes certain requirements on its affiliates and supervised persons to ensure that they meet our fiduciary responsibilities to you.

This section is intended to provide a summary description of our Code of Ethics. If you wish to review the Code of Ethics in its entirety, you should send us a written request and upon receipt of your request, we will promptly provide a copy to you.

### ***Affiliate and Employee Personal Securities Transactions Disclosure***

Neither CAP nor any of our supervised persons recommend securities in which we or related person have a material financial interest. However, CAP or supervised persons may buy or sell for their personal accounts, investment products identical to those recommended to you. This creates a potential conflict of interest. It is the express policy of CAP that all of our supervised persons must place clients' interests ahead of their own when implementing personal investments. Neither CAP nor its supervised persons will buy or sell securities for their personal account(s) where their decision is derived, in whole or in part, by information obtained as a result of employment or association with CAP unless the information is also available to the investing public upon reasonable inquiry. CAP does not allow supervised persons to purchase securities at the same time as clients unless it happens incidentally as part of a firm-wide rebalance or model change.

## **Item 12 – Brokerage Practices**

CAP does not maintain custody of the separate account assets we manage, though we may be deemed to have custody if you give us authority to withdraw assets from your separate account under certain circumstances (see Item 15, below). Your assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. CAP currently recommends the custodial and brokerage services of Charles Schwab & Co., Inc.,

("Schwab") a registered broker-dealer and member SIPC. We are independently owned and operated and are not affiliated with Schwab. While we recommend Schwab as custodian/broker, clients will decide whether to do so and will open accounts with Schwab by entering an account agreement directly with them. We do not open accounts for clients, though we may assist in doing so.

### ***How We Select Brokers/Custodians***

We seek to recommend a custodian/broker that will hold client assets and execute transactions on terms that are, overall, most advantageous when compared with other available providers and their services. We consider a wide range of factors, including:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for the account)
- 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, 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 prices
- Reputation, financial strength, security and stability
- Dedicated service team and local personnel
- Prior service to us and our clients
- Availability of other products and services that benefit us, as discussed below

We have determined that having Schwab execute most trades is consistent with our duty to seek "best execution" of client trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above.

### ***Your Brokerage and Custody Costs***

Schwab generally does not charge clients separate for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. Schwab is also compensated by earning interest on the uninvested cash in Schwab's Cash Features Program or on any margin balance maintained in Schwab accounts, and from other ancillary services.

Most trades no longer incur commissions or transaction fees, though there are exceptions. Schwab discloses its fees and costs to clients and we take those costs into account when executing transactions on your behalf. Schwab charges you a flat dollar amount as "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.

Certain mutual funds and ETFs are made available for no transaction fee; as a result the confirmation may show "no commission" for a particular transaction. Typically, the custodian (but not CAP) earns additional remuneration from such services as recordkeeping, administration, and platform fees, for the funds and ETFs on their no-transaction fee lists. This additional revenue to the custodian will tend to increase the internal expenses of the fund or ETF. CAP selects investments based on our assessment of a number of factors, including liquidity, asset

exposure, reasonable fees, effective management, and low execution cost. Where we choose a no-transaction fee fund or ETF, it is because it has met our criteria in all applicable categories.

### ***Products and Services Available to CAP from Schwab***

Schwab Advisor Services™ is Schwab's business serving independent investment advisory firms like us. They provide CAP and our clients with access to their institutional broker services (trading, custody, reporting, and related services), some 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 are generally available without our requesting them and at no charge to CAP. Following is a more detailed description of these services:

### ***Services that Benefit Clients***

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. These services general benefit you and your account.

### ***Services that May Not Directly Benefit Clients***

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 If we had 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

### ***Services that Generally Benefit Only CAP***

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
- Marketing consulting and support
- Occasional business entertainment of our personnel

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. We make limited use of the services in this section. We are most likely to use compliance and technology consulting and to attend conferences and other educational events, some of which include business entertainment.

### ***CAPs' Interest in Schwab's Services***

The availability of these services from Schwab benefits us because we do not have to produce or purchase them, and we don't have to pay Schwab for them. This creates an incentive for us to recommend that clients maintain their accounts with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based on clients' interest in receiving the best value in custody services and the most favorable execution of their transactions. While this incentive creates a conflict of interest, we believe 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.

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

We do not have any traditional "soft dollar" arrangements in place, in which we agree to direct a certain amount of commission dollars to a specific custodian in exchange for research or other services. Rather, the services described in this Item 12 are made available to us simply because we maintain client accounts on the Schwab platform.

Many of these services generally may be used to service all or a substantial number of CAPs' accounts, including accounts not maintained at Schwab Advisor Services.

The availability to CAP of the foregoing products and services is not contingent upon CAP committing to Schwab Advisor Services any specific amount of business (assets in custody or trading commissions). In some cases, clients could pay more for custody and execution through the custodian we recommend than through others. We review the capacities and costs of Schwab regularly to ensure that our clients are receiving quality executions and competitive pricing, as well as more intangible service benefits.

### ***Aggregation***

CAP is authorized to aggregate purchases and sales and other transactions made for your account with purchases and sales and other transactions in the same or similar securities or instruments for other clients of ours. When we aggregate transactions, the actual prices applicable to the aggregated transactions will be averaged, and the account will be deemed to have purchased or sold its proportionate share of the securities or instruments involved at the average price obtained. Any aggregation of trades will be consistent with our duty to seek best execution. Stock exchange regulations may in certain instances prevent the executing broker-dealer from delivering to the account a confirmation slip with respect to its participation in the aggregated transaction and, in such event, we will advise you in writing of any purchase or disposition of instruments for the account with respect to any such aggregated transaction. We will direct that confirmations of any transactions effected for the account will be sent, in conformity with applicable law, to you.

### ***Trade Errors***

If a trade error occurs in a client account, it is our policy to correct the error at no cost to the client, and to restore the client account to the position it should have been in had the error not occurred. We do not use soft dollars, nor do we use the promise of future brokerage commissions to compensate a broker-dealer for absorbing the cost of a trade error. If a trade error results in a loss, we will absorb the loss so it will not be borne by the client. If the error results in a gain, we will retain it and at the end of each year, any positive amounts attributable to trade errors will be donated to a charitable organization of our choice. Such charitable organization will NOT have any affiliation with CAP or any of its IARs.

### ***Directed Brokerage***

Because we recommend Schwab and then execute transactions through that custodian on a discretionary basis, we are effectively requiring that clients “direct” brokerage to Schwab, absent other specific instructions as discussed below. Because we are not choosing brokers on a trade-by-trade basis, we may not be able to achieve the most favorable executions for clients and this may ultimately cost clients more money. Not all investment advisers require directed brokerage.

We do not use, recommend, or direct activity to brokers (including Schwab) in exchange for client referrals.

CAP generally permits clients to direct us to use brokers other than the custodian. If we agree to accommodate a request to do this, we will likely have little or no ability to negotiate commissions or influence execution price, and the client will also not benefit from the savings afforded by the occasional trade aggregation we may implement for other clients. This may result in greater costs.

## **Item 13 – Review of Accounts**

### ***Account Reviews***

Managed assets are reviewed at least quarterly. While the calendar is the main triggering factor, reviews can also be conducted at your request. Reviews will include investment strategy and objectives review and making a change if strategy and objectives have changed. Reviews are conducted by your IAR as well as our Chief Compliance Officer.

### ***Statements and Reports***

Qualified custodians send account statements at least quarterly. Quarterly reports are available upon request. These reports are not a substitute for the custodian’s statements. We urge you to carefully compare any report we send with the custodian’s statement and to let us know about any discrepancies.

## **Item 14 – Client Referrals & Other Compensation**

We do not pay anyone for referrals or receive payment for referrals. Please see Item 12, above, for non-cash benefits receive from our relationship with Charles Schwab.

## **Item 15 – Custody**

All client assets are held with a qualified custodian and never by CAP. Because, however, we have the ability to deduct fees directly from your custodial account, we are deemed to have a limited form of custody. Your custodian will send you an account statement at least quarterly showing all holdings in your account, as well as all activity that occurred, including any fees deducted from your account during the statement period.

We do provide reports to you that supplement, but do not replace, the custodial statements. We urge you to carefully compare the reports we send you with the custodian’s statement and to notify us if you see any discrepancies.

## **Item 16 – Investment Discretion**

We manage client assets on a discretionary basis. We obtain our authority through a limited power of attorney contained in your Agreement with us. We will accept restrictions on our discretionary authority as long we don’t consider too operationally onerous to implement effectively, and as long as we believe the restrictions are consistent with our fiduciary to you. Any restrictions you impose, and we accept will be described in writing.

### **Item 17 – Voting Client Securities**

We do not vote clients proxies. You will receive proxies or other solicitations directly from your custodian. If you have questions about a specific proxy, you may call us to discuss them.

### **Item 18- Financial Information**

CAP does not have any financial commitment that impairs our ability to meet contractual and fiduciary commitments to our clients. In addition, neither CAP nor its management persons have been the subject of a bankruptcy proceeding.