



**MARCH 31, 2023**

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This brochure provides information about the qualifications and business practices of Capital Advisor Network ("CAN"). If you have any questions about the contents of this brochure, please contact us at 765-588-1647. 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. CAN is a registered investment adviser. Registration as an investment adviser with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

Additional information about Capital Advisor Network is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as an IARD number. The IARD number for CAN is IARD# 297578.

## ITEM 2 – MATERIAL CHANGES

### SUMMARY OF MATERIAL CHANGES

This section of the Brochure will address only those “material changes” that have been incorporated since our last delivery or posting of this document on the SEC’s public disclosure website (IAPD) [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The follow material changes have occurred since our last annual updating amendment in 2022:

- **Item 4** has been updated to disclose (1) the new principal owners of the Firm; (2) the appointment of a new Chief Compliance Officer (CCO); (3) the new offering from CAN involving wealth management services through entity or asset structuring and asset preservation strategies; and (4) the introductions made by CAN to its clients in relation to private investment opportunities which does not necessarily constitute investment advisory services nor a recommendation thereof.
- **Item 5** has been updated to disclose (1) the fees that CAN charges in relation to its entity or asset structuring and asset preservation services, and (2) that it receives no compensation for introducing its clients to private investment opportunities unless it forms part of the Firm’s investment consulting or advisory services.
- **Item 10** has been updated to disclose CAN’s personal or business relationships with one or more private fund managers or other issuers of private investments where a potential conflict of interest may exist such as when the Firm or its personnel has a direct or indirect ownership or other interest in the Private Investment.

Currently, a free copy of our Brochure may be requested by contacting Jeffrey Smith, Chief Compliance Officer of CAN, at 765-588-1647. The Brochure is also available on our web site [www.capitaladvisornetwork.com](http://www.capitaladvisornetwork.com).

We encourage you to read this document in its entirety.

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#### ITEM 4 – ADVISORY BUSINESS

This Disclosure document is being offered to you by Capital Advisor Network (“CAN” or “Firm”) about the investment advisory services we provide. It discloses information about our services and the way those services are made available to you, the client.

Our Firm became a registered investment adviser in July 2018 and is owned by Peter K Johnson, Jared Wickes, Billy Evans, Venture Family Office LLC, and Malcom Brown. Jeffrey Smith is the new Chief Compliance Officer of the Firm.

We are committed to helping clients build, manage and preserve their wealth. Our Firm provides services that help clients to achieve their stated financial goals. We will offer an initial complimentary meeting upon our discretion; however, investment advisory services are initiated only after you and CAN execute an Investment Management Agreement.

#### INVESTMENT AND WEALTH MANAGEMENT AND SUPERVISION SERVICES

We offer advisory accounts on a discretionary and nondiscretionary basis. For discretionary accounts, once we have determined a profile and investment plan with a client, we will execute the day-to-day transactions without seeking prior client consent but within the expected investment guidelines. We may accept accounts with certain restrictions, if circumstances warrant. We primarily allocate client assets among individual stocks, bonds, exchange traded funds (“ETFs”), options, mutual funds, cash and other public and private securities or investments. All of which are considered asset allocation categories for the client’s investment strategy. Portfolios will be designed to meet a particular investment goal, determined to be suitable to the client’s circumstances. Once the appropriate portfolio has been determined, portfolios are continuously and regularly monitored, and if necessary, rebalanced based upon the client’s individual needs, stated goals and objectives.

During personal discussions with clients, we usually determine the client’s objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we also review a client’s prior investment history, as well as family composition and background. Based on client needs and risk tolerances, we develop a client’s personal profile and investment plan. We then create and manage the client’s investments based on that policy and plan. It is the client’s obligation to notify us immediately if circumstances have changed with respect to their goals.

Once we have determined the types of investments to be included in a client’s portfolio and have allocated the assets, we provide ongoing investment review and management services.

With our discretionary relationship, we will make changes to the portfolio, as we deem appropriate, to meet client financial objectives and risk tolerances. We trade these portfolios based on the combination of our market views and client objectives, using our investment process. We tailor our advisory services to meet the needs of our clients and seek to ensure that your portfolio is managed in a manner consistent with those needs and objectives. Clients have the ability to leave standing instructions with us to refrain from investing in particular industries or invest in limited amounts of securities.

Clients have a direct and beneficial interest in their securities, rather than an undivided interest in a pool of securities. We do have limited authority to direct the Custodian to deduct our investment advisory fees from your accounts, but only with the appropriate written authorization from clients.

Where appropriate, we provide advice about any type of legacy position held in client portfolios. Typically, these are assets that are ineligible to be custodied at our primary custodian. Clients will engage us to advise on certain investment products that are not maintained at their primary custodian, such as variable life insurance, annuity contracts, and assets held in employer sponsored retirement plans and qualified tuition plans (e.g., 529 plans).

You are advised and are expected to understand that our past performance is not a guarantee of future results. Certain market and economic risks exist that could adversely affect an account's performance. This could result in capital losses in your account.

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## **FINANCIAL PLANNING**

Through the financial planning process, our team strives to engage our clients in conversations around the client's goals, objectives, priorities, risk tolerances, vision, and legacy – both for the near term as well as for future generations. With the unique goals and circumstances of each client in mind, our team will offer financial planning ideas and strategies to address the client's holistic financial picture, including estate, income tax, charitable, cash flow, wealth transfer, and client legacy objectives. Our team partners with our client's other advisors (CPAs, Enrolled Agents, Estate Attorneys, Insurance Brokers, etc.) to ensure a coordinated effort of all parties toward the client's stated goals. Such services include various reports on specific goals and objectives or general investment and/or planning recommendations, guidance to outside assets, and periodic updates.

Our specific services in preparing your plan may include:

- Review and clarification of your financial goals
- Assessment of your overall financial position including cash flow, balance sheet, investment strategy, risk management, and estate planning
- Creation of a unique plan for each goal you have, including personal and business real estate, education, retirement or financial independence, charitable giving, estate planning, business succession, and other personal goals
- Development of a goal-oriented investment plan, with input from various advisors to our clients around tax suggestions, asset allocation, expenses, risk, and liquidity factors for each goal. This includes IRA and qualified plans, taxable, and trust accounts that require special attention
- Design of a risk management plan including risk tolerance, risk avoidance, mitigation, and transfer, including liquidity as well as various insurance and possible company benefits; and
- Crafting and implementation of, in conjunction with your estate and/or corporate attorneys as tax adviser, an estate plan to provide for you and/or your heirs in the event of an incapacity or death

Upon request, a written evaluation of each client's initial situation or Financial Plan is provided to the client. An annual review will be provided by the Adviser, if indicated by the Client and Adviser per the Agreement. More frequent reviews occur but are not necessarily communicated to the client unless immediate changes are recommended.

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## **CONSULTING SERVICES**

We also provide clients investment advice on a more-limited basis on one-or-more isolated areas of concern such as divorce planning, estate planning, real estate, retirement planning, or any other specific topic. Additionally, we provide advice on non-securities matters about the rendering of estate planning, insurance, real estate, and/or annuity advice or any other business advisory / consulting services for equity or debt investments in privately held businesses. In these cases, you will be required to select your own investment managers, custodian and/or insurance companies for the implementation of consulting recommendations. If your needs include brokerage and/or other financial services, we will recommend the use of multiple investment managers, brokers, banks, custodians, or insurance companies (“outside investment firms”). You must independently evaluate these outside investment firms before opening an account or transacting business and have the right to effect business through any firm you choose. You have the right to choose whether to follow the consulting advice that we provide.

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### **THIRD PARTY MONEY MANAGERS (“TPMM”)**

Our firm utilizes the services of a TPMM for the management of client accounts. Investment advice and trading of securities will only be offered by or through the chosen TPMM. Our firm will not offer advice on any specific securities or other investments in connection with this service. Prior to referring clients, our firm will provide initial due diligence on third party money managers and ongoing reviews of their management of client accounts. In order to assist in the selection of a TPMM, our firm will gather client information pertaining to financial situation, investment objectives, and reasonable restrictions to be imposed upon the management of the account.

Our firm will periodically review third party money manager reports provided to the client at least annually. Our firm will contact clients from time to time in order to review their financial situation and objectives; communicate information to third party money managers as warranted; and assist the client in understanding and evaluating the services provided by the TPMM. Clients will be expected to notify our firm of any changes in their financial situation, investment objectives, or account restrictions that could affect their financial standing.

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### **RETIREMENT PLAN ADVISORY SERVICES**

Retirement Plan Advisory Services consists of helping employer plan sponsors to establish, monitor and review their company's retirement plan. As the needs of the plan sponsor dictate, areas of advising could include investment selection and monitoring, plan structure, and participant education.

Pursuant to Section 402(c)(3) of ERISA, the client may appoint us as the Plan's “investment manager” with respect to the Plan's portfolio of investment options. We acknowledge that we are registered as an investment adviser under the SEC. Our firm acts as a “fiduciary” within the meaning of Section 3(21) and 3(38) of ERISA with respect to the Plan. We offer advisory services to employer sponsored retirement plans such as 401(k), 457, & 403(b). On the plan level, we manage the investment line-up making changes as necessary as well as providing risk-based investment models for the participants. On the individual participant level, we manage risk-based models using the current investment lineup based on risk tolerance of the individual investor. For employer-sponsored retirement plans with participant-directed investments, our

firm provides its advisory services as an investment advisor as defined under Section 3(21) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”).

When serving as an ERISA 3(21) investment adviser, the Plan Sponsor and our Firm share fiduciary responsibility. The Plan Sponsor retains ultimate decision-making authority for the investments and may accept or reject the recommendations in accordance with the terms of a separate ERISA 3(21) Plan Sponsor Investment Management Agreement between our Firm and the Plan Sponsor. Under the 3(21) agreements, our Firm can provide the following services to the Plan Sponsor:

- **Development of an Investment Policy Statement** **Review** **or**
- **on Money Managers** **Perform Due Diligence**
- **Investment and Management Selection** - Our Firm typically uses mutual funds/managed accounts/collective trusts/cash equivalents to structure portfolios designed to meet client objectives and risk profiles. **Provide** **Initial**
- **Performance Evaluation and Monitoring of Money Mangers** **Provide** **ongoing**
- **Recommendations when necessary** **Make** **Investment**
- **Services Analysis** - Our Firm will conduct an analysis of a client’s retirement plan to evaluate the services currently provided to the client by third parties. The areas of analysis may include asset management services, record keeping, administration, customer service, participant education, etc. These services may also include a cost/benefit analysis, recommendation of alternative vendors, facilitation of the RFP process for solicitation of a new vendor, and/or assistance in fee negotiations with proposed vendors. **Retirement** **Plan**
- **Education Services** - Our Firm will provide enrollment and educational services the content of the program will be generic in nature. **Provide** **Employee**

When serving as a result of the 3(38) appointments, we are granted full trading authority over the Plan and have the responsibility for the selection and monitoring of all investment options offered under the Plan in accordance with the investment policy statement and its underlying investment objectives and strategies for the Plan. Plan participants have the ability to exercise control over the investment selection from the plans line up of investments, and we have no authority or discretion to direct the investment of assets of any participant’s account under the Plan.

**Disclosure Regarding Rollover Recommendations**

A client or prospect leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer’s plan, if permitted, (ii) roll over the assets to the new employer’s plan, if one is available and rollovers are permitted, (iii) rollover to an Individual Retirement Account (“IRA”),

or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). Our Firm may recommend an investor roll over plan assets to an IRA for which our Firm provides investment advisory services. As a result, our Firm and its representatives may earn an asset-based fee. In contrast, a recommendation that a client or prospective client leave their plan assets with their previous employer or roll over the assets to a plan sponsored by a new employer will generally result in no compensation to Adviser. Our Firm therefore has an economic incentive to encourage a client to roll plan assets into an IRA that our Firm will manage, which presents a conflict of interest. To mitigate the conflict of interest, there are various factors that our Firm will consider before recommending a rollover, including but not limited to: (i) the investment options available in the plan versus the investment options available in an IRA, (ii) fees and expenses in the plan versus the fees and expenses in an IRA, (iii) the services and responsiveness of the plan's investment professionals versus those of our Firm, (iv) protection of assets from creditors and legal judgments, (v) required minimum distributions and age considerations, and (vi) employer stock tax consequences, if any. All rollover recommendations are also reviewed by our Firm's Chief Compliance Officer in a best effort to determine that the recommendation to a client was reasonable or that the client has determined to make the rollover after being provided ample information about their options. No client is under any obligation to roll over plan assets to an IRA advised by our Firm or to engage our Firm to monitor and/or advise on the account while maintained with the client's employer. Our Firm's Chief Compliance Officer remains available to address any questions that a client or prospective client has regarding this disclosure.

We are fiduciaries under the Investment Advisers Act of 1940 and when we provide investment advice to you regarding your retirement plan account or individual retirement account, we are also fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. We have to act in your best interest and not put our interest ahead of yours. At the same time, the way we make money creates some conflicts with your interests.

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#### **ASSET STRUCTURING AND ASSET PRESERVATION SERVICES**

CAN likewise provides services to current or prospective, high-net-worth clients, in connection with third-party service providers, involving the structuring of the entity and its assets as well as the implementation of asset preservation strategies. Payment for these services is made by a third party who directly receives fees or compensation from the client or prospective client.

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#### **INTRODUCTION TO PRIVATE INVESTMENT OPPORTUNITIES**

Where appropriate, CAN may introduce (but not necessarily recommend) available opportunities with private fund managers or other issuers of private investments (together "Private Investments") to the appropriate clients. The Firm or its supervised persons make these introductions to Private Investments solely as an accommodation to clients and not as an investment advisory service.

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#### **ASSETS**



As of December 31, 2022, CAN had a total of \$93,598,101.50 of assets under management and advisement. Of these assets, the discretionary assets under management or advisement were \$79,416,481.54 while the non-discretionary assets under management or advisement totaled \$14,181,619.96.

## ITEM 5 - FEES AND COMPENSATION

### INVESTMENT MANAGEMENT FEES AND COMPENSATION

Our Firm charges a fee as compensation for providing Investment Management services on your account. These services include advisory services, trade entry, investment supervision, and other account maintenance activities. Our recommended Custodian charges transaction costs, custodial fees, redemption fees, retirement plan and administrative fees or commissions. See Additional Fees and Expenses below for details.

A calendar quarterly investment management fee is billed in arrears based on the average daily balance of your account during the previous calendar month. Our maximum annual advisory fee is 2.00%. The relevant fee and billing method is defined and agreed to by the firm and the client in the executed Investment Advisory Agreement. This fee may be debited directly from your investment account, or you may pay this fee separately. You will need to indicate how you would like to pay this fee in your Investment Advisory Agreement. Additional fees and expenses you may incur are brokerage commissions, principal markups and discounts, SEC fees, mutual fund/ETF expense ratios, mutual fund 12B-1 fees, tax withholding on certain foreign securities, postage fees, wire fees, bank charges, and other administration fees as authorized by you.

***Please refer to Section 12 for information on brokerage fees and services.***

Fees may vary based on the size of the account, complexity of the portfolio, extent of activity in the account, or other reasons agreed upon by our Firm and you as the client. In certain circumstances, our fees and the timing of the fee payments may be negotiated. Our employees and their family-related accounts are charged a reduced fee for our services.

Unless otherwise instructed by the Client, we will aggregate related client accounts for the purposes of determining the account size and annualized fee. The common practice is often referred to as “house-holding” portfolios for fee purposes and may result in lower fees than if fees were calculated on portfolios separately. Our method of house-holding accounts for fee purposes looks at the overall family dynamic and relationship. When applicable, and noted in Appendix of the Investment Management Agreement, legacy positions will also be excluded from the fee calculation.

The independent and qualified custodian holding your funds and securities will debit your account directly for the advisory fee and pay that fee to us. When establishing a relationship with CAN, you provide written authorization permitting the fees to be paid directly from your account held by the qualified custodian. Further, the qualified Custodian agrees to deliver an account statement to you on a monthly basis indicating all the amounts deducted from the account including our advisory fees. If agreed to by the Firm and Client in the Agreement, a direct bill for the advisory fee may be arranged. In that case, there would be an invoice sent directly to the client each month.

As discussed in Item 4 above, there are occasions where an independent TPMM acts as a sub-adviser to our firm. In those circumstances, the TPMM manages the assets based upon the parameters provided by our firm. Under such arrangements where our firm elects to utilize a

TPMM, depending on the TPMM contract with CAN, the total advisory fee may be collected from the custodian by our firm or the TPMM. This total fee includes our firm's portion of the investment advisory fee as well as the TPMM fee. Total fees for clients utilizing a TPMM will not exceed 2.00%.

The fee billed is defined in the relevant Investment Management Contract as well as in the individual Form ADV filing of the respective Third-Party Manager. This fee may be debited directly from your investment account, or you may pay this fee separately. You will need to indicate how you would like to pay this fee in your investment management contract. Additional fees and expenses you may incur in relation to the use of TPMM are brokerage commissions, principal markups and discounts, SEC fees, mutual fund/ETF expense ratios, mutual fund 12B-1 fees, tax withholding on certain foreign securities, postage fees, wire fees, bank charges, and other administration fees as authorized by you.

A TPMM relationship may be terminated at the IAR's discretion. CAN may at any time terminate the relationship with a TPMM that manages your assets. CAN will notify you of instances where we have terminated a relationship with any TPMM you are investing with. CAN will not conduct on-going supervisory reviews of the TPMM following such termination of the relationship with the TPMM. Factors involved in the termination of a TPMM may include, among others, a failure to adhere to their stated management style or your objectives, a material change in the professional staff of the TPMM, unexplained poor performance, unexplained inconsistency of account performance, or our decision to no longer include the TPMM on our list of approved TPMMs.

Account custodial services may be provided by several account Custodians depending on the investment management program offered. Programs may have higher or lower fees than other programs available through CAN or available elsewhere. Investment management programs may differ in the services provided and method or type of management offered, and each may have different account minimums. Client reports will depend upon the management program selected. Please see complete details in the program brochure and custodial account agreement for each program recommended and offered.

Either CAN or you may terminate the management agreement immediately upon written notice to the other party. The management fee will be pro-rated to the date of termination, for the month in which the cancellation notice was given and any earned fee will be billed to you by our Firm.

Upon termination, you are responsible for monitoring the securities in your account, and we will have no further obligation to act or advise with respect to those assets. In the event of client's death or disability, CAN will continue management of the account until we are notified of client's death or disability and given alternative instructions by an authorized party.

In no case are CAN fees based on, or related to, the performance of your funds or investments.

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#### **FINANCIAL PLANNING FEES**

CAN will negotiate the planning fees with you using either a fixed fee or an hourly rate. Fees may vary based on the extent and complexity of your individual or family circumstances and the amount of your assets under our management. CAN will determine your fee for the designated financial advisory services based on a fixed fee arrangement described below.

Under our fixed fee arrangement, any fee will be agreed in advance of services being performed. The fee will be determined based on factors including the complexity of your financial situation, agreed upon deliverables, and whether or not you intend to implement any recommendations through CAN. Fixed fees for financial plans range from \$1,500 to \$15,000.

Typically, we complete a plan within a month and will present it to you within 90 days of the contract date, provided that you have provided us all information needed to prepare the financial plan. Fees are billed with one hundred percent (100%) payable at the time the financial plan is delivered. Financial planning fees can be deducted from client's brokerage accounts at their discretion. Written authorization will be required by you, the client. You may terminate the financial planning agreement by providing us with written notice. Upon termination, fees will be prorated to the date of termination and any unearned portion of the fee will be refunded to you based on an hourly rate of \$350.00. Services provided up to date of termination but not yet paid to CAN will be billed to you based on the hourly rate of \$350.00. We will not require prepayment of more than \$1,200 in fees per client, six (6) or more months in advance of providing any services.

In no case are CAN fees based on, or related to, the performance of your funds or investments.

When both investment management or plan implementation and wealth planning services are offered, there is a conflict of interest since there is an incentive for us offering wealth planning services to recommend products or services for which CAN receives compensation. However, CAN will make recommendations independent of such considerations and based on our obligations to consider your objectives and needs and to serve your best interests. As a wealth planning client, you have the right not to act upon any of our recommendations and not affect the transaction(s) through us if you decide to follow the recommendations.

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#### **CONSULTING FEES**

CAN provides consulting services for clients who need advice on a limited scope of work. CAN will negotiate consulting fees with you. Fees may vary based on the extent and complexity of the consulting project. Fees will be billed as services are rendered. Either party may terminate the agreement. Upon termination, fees will be prorated to the date of termination and any unearned portion of the fee will be refunded to you as described above.

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#### **RETIREMENT PLAN SERVICE FEES**

For Retirement Plan Advisory Services compensation, we charge an advisory fee as negotiated with the Plan Sponsor and as disclosed in the Employer Sponsored Retirement Plans Consulting Agreement ("Plan Sponsor Agreement"). Our maximum advisory fees do not exceed 1.25% annually.

Typically, the billing period for these fees are paid quarterly. This fee is generally negotiable, but the terms and advisory fee are agreed to in advance and acknowledged by the Plan Sponsor through the Plan Sponsor Agreement and/or Plan Provider's account agreement. Fee billing methods vary depending on the Plan Provider.

Either our Firm or the Plan Sponsor may terminate the Agreement upon 30 days written notice to the other party. The Plan Sponsor is responsible to pay for services rendered until the termination of the Agreement.

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#### **ASSET STRUCTURING AND ASSET PRESERVATION FEES**

The fees paid to our Firm may consist of a one-time fixed fee and/or an annual percentage fee based on the value of the assets which may be billed monthly or quarterly. Our Firm may also work with a third party to provide these services. In which case, the client may have to separately pay the third party and we will take our fees from a portion thereof, the amount or percentage of which will depend on our agreement with that third party. The possibility of receiving payment for these services along with the possibility of managing assets held within any related structure creates an incentive for CAN to recommend to its current or prospective clients the services of CAN and these third parties. Hence, this creates a conflict of interest. These conflicts are mitigated by CAN's commitment to only recommend such services that it reasonably believes to be in the best interests of the client.

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#### **ADMINISTRATIVE SERVICE FEES**

We have contracted with an unaffiliated firm ("Technology Firm") to utilize their technology platform which supports data reconciliation, performance reporting, fee calculation, client relationship maintenance, at least quarterly performance evaluations, and other functions related to the administrative tasks of managing client accounts. Due to this arrangement, this Technology Firm will have access to client accounts, but Technology Firm will not serve as an investment adviser to our clients. CAN and Technology Firm are non-affiliated companies. Technology Firm charges our Firm an annual fee for each account administered by its software. Please note that the fee charged to the client will not increase due to the annual fee CAN pays to Technology Firm. The annual fee is paid from the portion of the management fee retained by CAN.

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#### **ADDITIONAL FEES AND EXPENSES**

In addition to the advisory fees paid to our Firm, you also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions (collectively "Financial Institutions"). These additional charges include custodial fees, charges imposed by a mutual fund or ETF in a client's account, as disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, regulatory fee and other fees and taxes on brokerage accounts and securities transactions. Our brokerage practices are described at length in Item 12, below.

##### ***Non-Transaction Fee (NTF) Mutual/ETF Funds***

When selecting investments for our clients' portfolios we might choose mutual funds on your account custodian's Non-Transaction Fee (NTF) list. This means that your account custodian will not charge a transaction fee or commission associated with the purchase or sale of the mutual fund.

The mutual fund companies that choose to participate in your custodian's NTF fund program pay a fee to be included in the NTF program. The fee that a mutual fund company pays to participate in the program is ultimately borne by the owners of the mutual fund including clients of our Firm. When we decide whether to choose a fund from your custodian's NTF list or not, we consider our expected holding period of the fund, the position size and the expense ratio of

the fund versus alternative funds. Depending on our analysis and future events, NTF funds might not always be in your best interest.

#### **INTRODUCTION TO PRIVATE INVESTMENT OPPORTUNITIES**

CAN does not receive any compensation or fees (either from the issuer of the Private Investment or from clients) for introducing Private Investments to its clients unless it forms part of the Firm's investment consulting or advisory services. The Firm or its personnel may make introductions where there is a conflict of interest. The Firm will endeavor to disclose such conflicts even though the Firm may not be acting as the investment adviser in such instances.

#### **ITEM 6 - PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

We do not charge advisory fees on a share of the capital appreciation of the funds or securities in a client account (so-called performance-based fees), nor engage side by side management.

#### **ITEM 7 - TYPES OF CLIENTS**

We provide investment advice to individuals, high-net worth individuals, institutions, charitable organizations, government entities and trusts.

There is a \$5,000 minimum in aggregate investable assets to become a client of CAN.

#### **ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

CAN offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. We oversee a consultative process which evaluates the client's unique needs and preferences and matches those with a strategically and/or tactically managed investment portfolio. Our investment management process includes the due diligence and oversight of a diverse set of signal providers with specifically targeted strategies to meet varying risk/return and tax aware expectations. We believe that successful investment management is a combination of skilled analytics and targeted portfolio guidelines organized around specific outcomes tied to the client's financial plan. The financial plan is driven by the clients' unique priority matrix and risk tolerance. Risk tolerance is often specific to account type or goal while also being generalized across the financial plan.

CAN prioritizes (but is not exclusive to) investment strategies that are supported by rigorous data analytics and algorithmic intelligence. This intelligence is more important than traditional "theories" of investment performance such as "Modern Portfolio Theory." While our Firm strongly believes in the power of asset allocation and diversification, we also believe that a tactical approach to the balancing of those diversified asset classes is preferred when possible. When tax efficiency priorities of the client preclude trading activity, those preferences may be prioritized. CAN generally limits its investment advice and/or money management to mutual funds, equities, bonds, fixed income, and ETFs. CAN may use other securities to help diversify a portfolio when applicable.

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## METHODS OF ANALYSIS

CAN's methods of analysis include charting analysis, fundamental analysis, technical analysis, and cyclical analysis.

**CHARTING ANALYSIS** involves the use of patterns in performance charts. CAN uses this technique to search for patterns used to help predict favorable conditions for buying and/or selling a security.

**FUNDAMENTAL ANALYSIS** involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages. Our Firm uses this primarily in stock or bond only portfolios where insight into individual company behaviors is informative.

**TECHNICAL ANALYSIS** involves the analysis of past market data, primarily price and volume. Technical analysis can be done at the signal provider level where they are making ETF recommendations based on their data analytics models.

**CYCLICAL ANALYSIS** involved the analysis of business cycles to find favorable conditions for buying and/or selling a security. Because of the uncertainty of economic modeling, cyclical analysis is not used to forecast future economic conditions.

**ACTIVELY MANAGED ACCOUNTS:** We choose targeted ETFs, mutual funds and/or individual companies in which to invest according to the analytical results above. Insights from these analytics are prioritized heavily over human perception or preference. Equity accounts may be traded tactically where the portfolios move in and out of market risk exposure based on a technical and/or fundamental analysis of the current market environment. ETF accounts may also include ETFs derived from bond market or other non-stock market indices. Our Firm generally seeks investment strategies that do not involve significant or unusual risk beyond that of the general domestic and/or international equity markets.

There is no guarantee that a particular strategy will meet its investment goals. The investment strategies we use will vary over time depending on various factors. Our Firm may give advice and take action for clients which differs from advice given or the timing or nature of action taken for other clients with different objectives. Our Firm is not obligated to initiate transactions for clients in any security which its principals, affiliates or employees may purchase or sell for their own accounts or for other clients.

Clients should be aware that ETFs and mutual funds have unique characteristics, and their cost structures differ, sometimes significantly.

**RISK TOLERANCE:** Our efforts to develop an understanding of our clients' risk tolerance begin with a comprehensive discussion. The discussions are structured to help us get to know our clients and are centered around the following: Employment, occupation, annual income, net worth, liquid assets, tax bracket, living expenses, special expenses, time frame for special expense, investment knowledge and experiences, investment objectives and investment time horizons. To further fine tune our understanding of a client's risk tolerance, our Firm does utilize StratiFi, a third-party vendor tool to assist in tracking, measuring and managing Client's risk tolerance. StratiFi technology assists Financial Advisors with two critical tasks: (1) measuring the risk preferences of investors, and (2) applying these preference measurements to portfolio selection. StratiFi summarizes an investor's mean-variance risk aversion on a 99-point scale. In connection with this output, the StratiFi tool "quantifies" the Client's indicated investment risk

tolerance through the illustration of expected return (plus/minus) and investment volatility (investment variance) which uses past data to calculate expected variance. Once the Risk Score is identified, the Financial Advisor prepares an IPS for the Client.

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#### **INDEPENDENT THIRD-PARTY MANAGER SERVICES**

We seek to recommend investment strategies that will give a client a diversified portfolio consistent with the client's investment objective. We do this by analyzing the various securities, investment strategies, and third-party management firms. The goal is to identify a client's risk tolerance, and then find a manager with the maximum expected return for that level of risk.

We examine the experience, expertise, investment philosophies and past performance of independent, third-party managers in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We monitor the managers' underlying holdings, strategies, concentrations and leverage as part of our overall periodic risk assessment. Additionally, as part of our due-diligence process, we survey the managers' compliance and business enterprise risks.

A risk of investing with a third-party manager who has been successful in the past is that he/she may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a managers' portfolio, there is also a risk that the manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as we do not control the managers' daily business and compliance operations, we may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

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#### **USE OF ALTERNATIVE INVESTMENTS**

If deemed appropriate for your portfolio, our Firm may recommend investments classified as "alternative investments". Alternative investments may include a broad range of underlying assets including, but not limited to, hedge funds, private equity, venture capital, and registered, publicly traded securities. Alternative investments are speculative, not suitable for all clients and intended for only experienced and sophisticated investors who are willing to bear the high risk of the investment, which can include: loss of all or a substantial portion of the investment due to leveraging, short-selling, or other speculative investment practices; lack of liquidity in that there may be no secondary market for the fund and none expected to develop; volatility of returns; potential for restrictions on transferring interest in the fund; potential lack of diversification and resulting higher risk due to concentration of trading authority with a single adviser; absence of information regarding valuations and pricing; potential for delays in tax reporting; less regulation and typically higher fees than other investment options such as mutual funds. The SEC requires investors be accredited to invest in these more speculative alternative investments. Investing in a fund that concentrates its investments in a few holdings may involve heightened risk and result in greater price volatility.

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#### **RISK OF LOSS**

A client's investment portfolio is affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic conditions, changes in laws and national and international political circumstances.

Investing in securities involves certain investment risks. Securities may fluctuate in value or lose value. Clients should be prepared to bear the potential risk of loss. CAN will assist Clients in determining an appropriate strategy based on their tolerance for risk.

Each Client engagement will entail a review of the Client's investment goals, financial situation, time horizon, tolerance for risk and other factors to develop an appropriate strategy for managing a client's account. Client participation in this process, including full and accurate disclosure of requested information, is essential for the analysis of a client's account(s). CAN shall rely on the financial and other information provided by the Client or their designees without the duty or obligation to validate the accuracy and completeness of the provided information. It is the responsibility of the Client to inform CAN of any changes in financial condition, goals or other factors that may affect this analysis.

Our methods rely on the assumption that the underlying companies within our security allocations are accurately reviewed by the rating agencies and other publicly available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

Investors should be aware that accounts are subject to the following risks:

- **MARKET RISK** - Even a long-term investment approach cannot guarantee a profit. Economic, political, and issuer-specific events will cause the value of securities to rise or fall. Because the value of investment portfolios will fluctuate, there is the risk that you will lose money and your investment may be worth more or less upon liquidation.
- **FOREIGN SECURITIES AND CURRENCY RISK** - Investments in international and emerging-market securities include exposure to risks such as currency fluctuations, foreign taxes and regulations, and the potential for illiquid markets and political instability.
- **CAPITALIZATION RISK** - Small-cap and mid-cap companies may be hindered as a result of limited resources or less diverse products or services. Their stocks have historically been more volatile than the stocks of larger, more established companies.
- **INTEREST RATE RISK** - In a rising rate environment, the value of fixed-income securities generally declines, and the value of equity securities may be adversely affected.
- **CREDIT RISK** - Credit risk is the risk that the issuer of a security may be unable to make interest payments and/or repay principal when due. A downgrade to an issuer's credit rating or a perceived change in an issuer's financial strength may affect a security's value and thus, impact the fund's performance.
- **SECURITIES LENDING RISK** - Securities lending involves the risk that the fund loses money because the borrower fails to return the securities in a timely manner or at all. The fund could also lose money if the value of the collateral provided for loaned securities, or the value of the investments made with the cash collateral, falls. These events could also trigger adverse tax consequences for the fund.



- **EXCHANGE-TRADED FUNDS** - ETFs face market-trading risks, including the potential lack of an active market for shares, losses from trading in the secondary markets, and disruption in the creation/redemption process of the ETF. Any of these factors may lead to the fund's shares trading at either a premium or a discount to its "net asset value."
- **PERFORMANCE OF UNDERLYING MANAGERS** - We select the mutual funds and ETFs in the asset allocation portfolios. However, we depend on the manager of such funds to select individual investments in accordance with their stated investment strategy.
- **CYBERSECURITY RISK** - In addition to the Material Investment Risks listed above, investing involves various operational and "cybersecurity" risks. These risks include both intentional and unintentional events at our firm or one of its third-party counterparties or service providers, that may result in a loss or corruption of data, result in the unauthorized release or other misuse of confidential information, and generally compromise our Firm's ability to conduct its business. A cybersecurity breach may also result in a third-party obtaining unauthorized access to our clients' information, including social security numbers, home addresses, account numbers, account balances, and account holdings. Our Firm has established business continuity plans and risk management systems designed to reduce the risks associated with cybersecurity breaches. However, there are inherent limitations in these plans and systems, including those certain risks may not have been identified, in large part because different or unknown threats may emerge in the future. As such, there is no guarantee that such efforts will succeed, especially because our Firm does not directly control the cybersecurity systems of our third-party service providers. There is also a risk that cybersecurity breaches may not be detected.
- **NON-LIQUID ALTERNATIVE INVESTMENTS** - From time to time, our Firm will recommend to certain qualifying clients that a portion of such clients' assets be invested in private funds, private fund-of-funds and/or other alternative investments (collectively, "Nonliquid Alternative Investments"). Nonliquid Alternative Investments are not suitable for all our Firm's clients and are offered only to those qualifying clients for whom our Firm believes such an investment is suitable and in line with their overall investment strategy. Nonliquid Alternative Investments typically are available to only a limited number of sophisticated investors who meet the definition of "accredited investor" under Regulation D of the Securities Act of 1933, as amended (the "Securities Act"), or "qualified client" under the Investment Advisers Act of 1940, or "qualified purchaser" under the Investment Company Act of 1940. Nonliquid Alternative Investments present special risks for our Firm's clients, including without limitation, limited liquidity, higher fees and expenses, volatile performance, no assurance of investment returns, heightened risk of loss, limited transparency, additional reliance on underlying management of the investment, special tax considerations, subjective valuations, use of leverage and limited regulatory oversight. When a Nonliquid Alternative Investment invests part or all of its assets in real estate properties, there are

additional risks that are unique to real estate investing, including but not limited to: limitations of the appraisal value; the borrower's financial conditions (if the underlying property has been obtained by a loan), including the risk of foreclosures on the property; neighborhood values; the supply of and demand for properties of like kind; and certain city, state and/or federal regulations. Additionally, real estate investing is also subject to possible loss due to uninsured losses from natural and man-made disasters. The above list is not exhaustive of all risks related to an investment in Nonliquid Alternative Investments. A more comprehensive discussion of the risks associated with a particular Nonliquid Investment is set forth in that fund's offering documents, which will be provided to each client subscribing to a Nonliquid Alternative Investment, for review and consideration. It is important that each potential, qualified investor carefully read each offering or private placement memorandum prior to investing.

- **COMMODITIES RISK** - If the commodity is purchased in physical form, such as gold bars and coins, for example, there are risks associated with transporting it from the place of purchase and of storing it securely over time. There are also risks that the transaction costs of buying or selling the physical commodity may be high. Additionally, there may be liquidity risks (one-half of a gold coin cannot be sold, for example). If the commodity is purchased in non-physical form, such as unallocated gold accounts, ETFs or other unit and investment trusts, there are risks associated with the movement in gold prices and the ability of the fund or trust manager to respond or deal with those price movements. There also may be initial charges as well as annual management fees associated with the fund or trust.
- **RESPONSIBLE INVESTING AND ESG RISK** - Clients utilizing responsible investing strategies and environment, social responsibility and corporate governance (ESG) factors may underperform strategies which do not utilize responsible investing and ESG considerations. Responsible investing and ESG strategies may operate by either excluding the investments of certain issuers or by selecting investments based on their compliance with factors such as ESG. This strategy may exclude certain sectors or industries from a client's portfolio, potentially negatively affecting the client's investment performance if the excluded sector or industry outperforms. Responsible investing and ESG are subjective by nature, and our Firm may rely on analysis and 'scores' provided by third parties in determining whether an issuer meets our Firm's standards for inclusion or exclusion. A client's perception may differ from our Firm or a third parties on how to judge an issuers adherence to responsible investing principles.

#### ITEM 9 - DISCIPLINARY INFORMATION

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to the evaluation of the firm or the integrity of its management. There are no reportable items to disclose in this Item.

#### ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

**Commented [LV1]:** Internal: Is OGA a related person that needs to be disclosed especially with respect to the possible conflict of interest? (Item 10.D.)

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## **INSURANCE**

Some of our Investment Adviser Representatives (“IARs”) of the Firm are licensed Insurance agents registered with various State(s) Insurance Departments. IARs receive compensation (commissions, trails, or other compensation from the respective insurance products) as a result of effecting insurance transactions for mutual client(s) of CAN. This creates a conflict of interest between your interests and our Firm. We mitigate this conflict by disclosing to clients they have the right to decide whether to engage the Insurance services offered through our IARs. Further, clients should note they have the right to decide whether to act on the recommendations and the right to choose any professional to execute the advice for any insurance products through any licensed insurance agent not affiliated with our Firm. We recognize the fiduciary responsibility to place the client’s interests first and have established policies in this regard to avoid any conflicts of interest. Commissions generated by insurance sales do not offset regular advisory fees.

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## **DUALLY REGISTERED INVESTMENT ADVISOR REPRESENTATIVES (“IAR”)**

Some of our IARs are IARs of other Independent Registered Investment Advisers (“RIA”). These independent RIAs compensate the IARs for advisory services in addition to the services engaged with CAN. These IARs are considered dually registered IARs.

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## **BROKER DEALER**

Certain IARs of our Firm are registered representatives of Center Street Securities, Inc. (“Center Street”) a securities broker-dealer and will be compensated for effecting securities transactions. A portion of the time of these IARs is spent in connection with broker/dealer activities.

As a broker-dealer, Center Street engages in a broad range of activities normally associated with securities brokerage firms. If Center Street is selected as the broker-dealer, Center Street and its registered representatives, including IARs of our Firm, may receive commissions for executing securities transactions.

Center Street has an obligation to maintain certain client records and perform other functions regarding certain aspects of the investment advisory activities of its registered representatives. These obligations require Center Street to coordinate with and have the cooperation of its registered representatives that operate as, or are otherwise associated with, investment advisers other than Center Street. Certain IARs may, in their capacity as registered representatives of Center Street, or as agents appointed with various life, disability or other insurance companies, receive commissions, 12(b)-1 fees, trails, or other compensation from the respective product sponsors and/or as a result of effecting securities transactions for clients. Clients should note that they are under no obligation to purchase any investment products through our Firm’s IARs who are registered representatives of Center Street.

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## **RELATIONSHIPS WITH PRIVATE FUND MANAGERS OR PRIVATE INVESTMENT ISSUERS**

CAN and its personnel have relationships with one or more private fund managers or other issuers or promoters of private investments (together “Private Investments”). Where appropriate, the Firm will introduce its clients to such Private Investments. or its supervised

persons make these introductions as an accommodation to clients and not always as an investment advisory service or recommendation. When Private Investments are not recommended to clients and clients decide to invest at their own discretion, neither CAN nor its personnel are responsible for conducting due diligence on or monitoring such Private Investments on behalf of such clients. In these instances, clients are solely responsible for deciding whether to make any investments or enter into any arrangements. Clients must conduct their own independent evaluation of the Private Investments and determine whether any specific investment is appropriate for them given their circumstances. The Firm or its personnel may introduce clients to Private Investments in which the Firm or its personnel may have a direct or indirect ownership or other financial interest. In such cases, the Firm will disclose this possible conflict of interest, although it is not acting as an investment adviser and does not receive any compensation for such introductions.

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#### **OTHER FINANCIAL AFFILIATIONS**

Additionally, management personnel of CAN may engage in outside business activities. As such, these individuals can receive separate, yet customary compensation resulting from implementing product transactions on behalf of investment advisory Clients. Clients are not under any obligation to engage these individuals when considering implementation of these outside recommendations. The implementation of any or all recommendations is solely at the discretion of the Client.

Peter K Johnson, a Managing Member of CAN, is also a Managing Member of CAN Wealth Management LLC. This LLC is a bookkeeping entity used for his advisory practice and financial services expenses.

Billy Evans, a Managing Member of CAN, is also a Managing Member of 34 LLC, an entity used for personal real estate investments and Managing Member of Evans Financial Services, entity used for bookkeeping of his advisory services fees and expenses.

Jeffrey Smith, a Managing Member of CAN, is also a Managing Member and founder of Apogee Services LLC (dba LawVisory), a professional services firm that provides legal, compliance and other professional services to registered investment advisers and other clients. Jeffrey Smith is also an owner of Optimal Global Advisors LLC that provides structuring, tax and asset preservation planning services to clients, including clients that may also be clients of CAN.

Clients should be aware that the ability to receive additional compensation by our Firm and its management persons or employees creates conflicts of interest that impair the objectivity of the Firm and these individuals when making advisory recommendations. Our Firm endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment adviser; we take the following steps, among others to address this conflict:

- we disclose to clients the existence of all material conflicts of interest, including the potential for the Firm and our employees to earn compensation from advisory clients in addition to the Firm's advisory fees.
- we disclose to clients that they have the right to decide to purchase recommended investment products from our employees.

- we collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives, and liquidity needs.
- the Firm conducts regular reviews of each client advisory account to verify that all recommendations made to a client are in the best interest of the client's needs and circumstances.
- we require that our employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed.
- we periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by the Firm; and
- we educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

Our Firm does not have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading adviser, or an associated person of the foregoing entities.

Our firm nor any of its management persons are registered or have an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

#### ITEM 11 - CODE OF ETHICS

Our Firm and persons associated with us are allowed to invest for their own accounts, or to have a financial investment in the same securities or other investments that we recommend or acquire for your account and may engage in transactions that are the same as or different than transactions recommended to or made for your account. This creates a conflict of interest. We recognize the fiduciary responsibility to act in your best interest and have established policies to mitigate conflicts of interest.

We have developed and implemented a Code of Ethics that sets forth standards of conduct expected of our advisory personnel to mitigate this conflict of interest. The Code of Ethics addresses, among other things, personal trading, gifts, and the prohibition against the use of inside information.

The Code of Ethics is designed to protect our clients to detect and deter misconduct, educate personnel regarding the Firm's expectations and laws governing their conduct, remind personnel that they are in a position of trust and must act with complete propriety at all times, protect the reputation of CAN, safeguard against the violation of the securities laws, and establish procedures for personnel to follow so that we may determine whether their personnel are complying with the Firm's ethical principles.

We have established the following restrictions in order to ensure our Firm's fiduciary responsibilities:

- No supervised employee of CAN shall prefer his or her own interest to that of the advisory client. Trades for supervised employees are traded alongside client accounts.
- We maintain a list of all securities holdings of anyone associated with this advisory practice with access to advisory recommendations. These holdings are reviewed on a regular basis by an appropriate officer/individual of CAN.

- We emphasize the unrestricted right of the client to decline implementation of any advice rendered, except in situations where we are granted discretionary authority of the client's account.
- We require that all supervised employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
- Any supervised employee not in observance of the above may be subject to termination.

None of our associated persons may affect for himself/herself or for accounts in which he/she holds a beneficial interest, any transactions in a security which is being actively recommended to any of our clients, unless in accordance with the Firm's procedures.

You may request a complete copy of our Code by contacting us at the address, telephone, or email on the cover page of this Part 2; ATTN: Jeffrey Smith, Chief Compliance Officer.

## ITEM 12 - BROKERAGE PRACTICES

### The Custodian and Brokers We Use

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

Clients must maintain assets in an account at a "qualified custodian," generally a broker-dealer or bank. We recommend that our clients use Charles Schwab & Co., Inc. Advisor Services ("Schwab") and Millennium Trust Services, a registered broker-dealer, member SIPC, as the qualified custodian. We are independently owned and operated, and unaffiliated with Schwab. Schwab will hold client assets in a brokerage account and buy and sell securities when we instruct them to.

While we recommend that clients use Schwab as custodian/broker, client must decide whether to do so and open accounts with Schwab by entering into account agreements directly with them. The Client opens the accounts with Schwab. The accounts will always be held in the name of the client and never in CAN's name.

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

We seek to recommend a custodian/broker who will hold client 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:

1. Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
2. Capability to execute, clear, and settle trades (buy and sell securities for client accounts)
3. Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
4. Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds [ETFs], etc.)
5. Availability of investment research and tools that assist us in making investment decisions
6. Quality of services
7. Competitiveness of the price of those services (commission rates, other fees, etc.) and willingness to negotiate the prices

8. Reputation, financial strength, and stability
9. Prior service to CAN and our other clients
10. Availability of other products and services that benefit us, as discussed below (see *Products and Services Available to Us from Schwab*)

#### ***Client Brokerage***

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 (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 us. They provide CAN 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; others help us manage and grow our business. Schwab’s support services generally are available on an unsolicited basis (we do not have to request them) and at no charge to us. These are considered soft dollar benefits because there is an incentive to do business with Schwab. This creates a conflict of interest. We recognize the fiduciary responsibility to act in your best interest and have established policies in this regard to mitigate any conflicts of interest.

Following is a more detailed description of Schwab’s support services:

#### ***Services That Benefit Our 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. Schwab’s services described in this paragraph generally benefit our clients and their accounts.

#### ***Services That May Not Directly Benefit Our Clients***

Schwab also makes available to us other products and services that benefit us but may not directly benefit our clients or their accounts. 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:

1. Provide access to client account data (such as duplicate trade confirmations and account statements)
2. Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
3. Provide pricing and other market data
4. Facilitate payment of our fees from our clients’ accounts
5. Assist with back-office functions, recordkeeping, and client reporting

***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:

1. Educational conferences and events
2. Consulting on technology, compliance, legal, and business needs
3. Publications and conferences on practice management and business succession
4. 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. These services are not contingent upon us committing any specific amount of business to Schwab in trading commissions. We believe that our selection of Schwab as custodian and broker is in the best interests of our clients.

Some of the products, services and other benefits provided by Schwab benefit CAN and may not benefit our client accounts. Our recommendation or requirement that you place assets in Schwab's custody may be based in part on benefits Schwab provides to us, or our agreement to maintain certain Assets Under Management at Schwab, and not solely on the nature, cost or quality of custody and execution services provided by Schwab. This is a conflict of interest. We believe this arrangement is in the client's best interest and have developed policies to mitigate this conflict.

We place trades for our clients' accounts subject to its duty to seek best execution and its other fiduciary duties. Schwab's execution quality may be different than other custodians.

***Institutional Intelligent Portfolios® Platform ("IIPP")***

Client accounts enrolled in the automated investment program are maintained at, and receive the brokerage services of, Schwab, a broker-dealer registered with the Securities and Exchange Commission and a member of FINRA and SIPC. While clients are required to use Schwab as custodian/broker to enroll in the automated investment program, the client decides whether to do so and opens its account with Schwab by entering into a brokerage account agreement directly with Schwab. We do not open the account for the client. If the client does not wish to place his or her assets with Schwab, then we cannot manage the client's account through the automated investment program. Schwab may aggregate purchase and sale orders for ETFs across accounts enrolled in the automated investment program, including both accounts for our clients and accounts for clients of other independent investment advisory firms using the IIPP.

The availability of services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for these services, and they are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in



custody. With respect to the automated investment program, as described above under Item 4 Advisory Business, we do not pay SPT fees for the IIPP so long as we maintain \$100 Million in client assets in accounts at Schwab that are not enrolled in the automated investment program. In light of our arrangements with Schwab, we may have an incentive to recommend] that our clients maintain their accounts with Schwab based on our interest in receiving Schwab's services that benefit our business rather than based on the client's interest in receiving the best value in custody services and the most favorable execution of transactions. This is a conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. It is primarily supported by the scope, quality, and price of Schwab's services and not Schwab's services that benefit only us. We have adopted policies and procedures designed to ensure that our recommendation of Schwab's services is appropriate for each of our clients.

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**BROKERAGE FOR CLIENT REFERRALS**

CAN does not receive client referrals from any custodian or third party in exchange for using that custodian or third party.

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**AGGREGATION AND ALLOCATION OF TRANSACTIONS**

CAN may aggregate transactions if we believe that aggregation is consistent with the duty to seek best execution for our clients and is consistent with the disclosures made to clients and terms defined in the client investment advisory agreement. No advisory client will be favored over any other client, and each account that participates in an aggregated order will participate at the average share price (per custodian) for all transactions in that security on a given business day.

If we do not receive a complete fill for an aggregated order, we will allocate the order on a pro-rata basis. If we determine that a pro-rata allocation is not appropriate under the particular circumstances, we will base the allocation on other relevant factors, which may include:

1. When only a small percentage of the order is executed, with respect to purchase allocations, allocations may be given to accounts high in cash.
2. With respect to sale allocations, allocations may be given to accounts low in cash.
3. We may allocate shares to the account with the smallest order, or to the smallest position, or to an account that is out of line with respect to security or sector weightings, relative to other portfolios with similar mandates.
4. We may allocate to one account when that account has limitations in its investment guidelines prohibiting it from purchasing other securities that we expect to produce similar investment results and that can be purchased by other accounts in the block.
5. If an account reaches an investment guideline limit and cannot participate in an allocation, we may reallocate shares to other accounts. For example, this may be due to unforeseen changes in an account's assets after an order is placed.
6. If a pro-rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, we may exclude the account(s) from the allocation and disgorge any profits. Generally, de minimis allocations do not exceed 5% of the total allocation. Additionally, we may execute the transactions on a pro-rata basis.
7. We will document the reasons for any deviation from a pro-rata allocation.

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**TRADE ERRORS**

We have implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with our fiduciary duty, it is our policy to correct trade errors in a manner that is in the best interest of the client. In cases where the client causes the trade error, the client will be responsible for any loss resulting from the correction. Depending on the specific circumstances of the trade error, the client may not be able to receive any gains generated as a result of the error correction. In all situations where the client does not cause the trade error, the client will be made whole, and we will absorb any loss resulting from the trade error if the error was caused by the firm. If the error is caused by the custodian, the custodian will be responsible for covering all trade error costs. If an investment gain results from the correcting trade, the gain will be donated to charity. We will never benefit or profit from trade errors.

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**DIRECTED BROKERAGE**

We do not routinely recommend, request or require that you direct us to execute transaction through a specified broker dealer. Additionally, we typically do not permit you to direct brokerage. We place trades for your account subject to our duty to seek best execution and other fiduciary duties.

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**ITEM 13 - REVIEW OF ACCOUNTS**

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**ACCOUNT REVIEWS AND REVIEWERS – INVESTMENT SUPERVISORY SERVICES**

Our Investment Adviser Representatives will monitor client accounts on a regular basis and perform annual reviews with each client. All accounts are reviewed for consistency with client investment strategy, asset allocation, risk tolerance, and performance relative to the appropriate benchmark. More frequent reviews may be triggered by changes in an account holder's personal, tax, or financial status. Geopolitical and macroeconomic specific events may also trigger reviews.

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**STATEMENTS AND REPORTS**

The custodian for the individual client's account will provide clients with an account statement at least monthly. Upon request, clients can receive a prepared written report detailing their current positions, asset allocation, and year-to-date performance provided by our Firm.

You are urged to compare the reports provided by CAN against the account statements you receive directly from your account custodian.

- *Selection and Monitoring of Third Party Managed Accounts* – If you have an account with us that is managed by a third-party manager, we typically review your account holdings weekly to ensure that your account remains within reasonable variances of the asset allocation targets and investment models in place.
- *Financial Planning Services* – Your review will be conducted by your assigned Investment Advisor. We realize that events and circumstances could change dramatically in between normal reviews. Therefore, if you experience an event in your life that might necessitate an early review of your Financial Plan, please let us know and we will be happy to

schedule a more frequent review. Such an event might include a marriage, divorce, birth of a child, death or disability of an immediate family member, impending retirement, employment status, or you bought or sold a business. We also encourage you to ask us if you have any questions about your Financial Plan or the reports that we generate.

- *Advisory Services to ERISA Qualified Plans* – Under normal circumstances, our regular practice is to review your retirement plan quarterly and generate written reports and written suggestions of fund replacements for your review and consideration conducted by one of our Investment Adviser Representatives. These written performance reports may be generated less frequently, (semi-annually or annually) at your request.

#### **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

CAN does not receive or pay out compensation for client referrals.

#### **ITEM 15 – CUSTODY**

We do not have physical custody, as it applies to investment advisors. Custody has been defined by regulators as having access or control over client funds and/or securities.

#### **DEDUCTION OF ADVISORY FEES**

For all accounts, CAN has the authority to have fees deducted directly from client accounts. Our Firm has established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients, or an independent representative of the client, will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian's name, address, and the way the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. You should carefully review those statements and are urged to compare the statements against reports received from CAN. When you have questions about your account statements, you should contact CAN or the qualified custodian preparing the statement.

#### **STANDING LETTERS OF AUTHORIZATION ("SLOA")**

Our Firm is deemed to have custody of clients' funds or securities when clients have standing authorizations with their custodian to move money from a client's account to a third-party ("SLOA") and, under that SLOA, it authorizes us to designate the amount or timing of transfers with the custodian. The SEC has set forth a set of standards intended to protect client assets in such situations, which we follow. We do not have a beneficial interest on any of the accounts we are deemed to have Custody where SLOAs are on file. In addition, account statements reflecting all activity on the account(s), are delivered directly from the qualified custodian to each client or the client's independent representative, at least quarterly. You should carefully review those statements and are urged to compare the statements against reports received from us. When you have questions about your account statements, you should contact us, your Advisor or the qualified custodian preparing the statement.

Please refer to Item 5 for more information about the deduction of adviser fees.

#### **ITEM 16 – INVESTMENT DISCRETION**

For discretionary accounts, prior to engaging CAN provide investment advisory services, you will enter a written Agreement with us granting the Firm the authority to supervise and direct, on an on-going basis, investments in accordance with the client's investment objective and guidelines.

In addition, you will need to execute additional documents required by the Custodian to authorize and enable CAN, in its sole discretion, without prior consultation with or ratification by you, to purchase, sell, or exchange securities in and for your accounts. We are authorized, in our discretion and without prior consultation with you to: (1) buy, sell, exchange and trade any stocks, bonds or other securities or assets and (2) determine the number of securities to be bought or sold, and (3) place orders with the custodian. Any limitations to such discretionary authority will be communicated to our Firm in writing by you, the client.

The limitations on investment and brokerage discretion held by CAN for you are:

- For discretionary accounts, we require that we be provided with authority to determine which securities and the amounts of securities to be bought or sold.
- Any limitations on this discretionary authority shall in writing as indicated on the investment advisory Agreement. You may change/amend these limitations as required.

In some instances, we may not have discretion. We will discuss all transactions with you prior to execution or you will be required to make the trades if in an employer sponsored account.

#### **ITEM 17 – VOTING YOUR SECURITIES**

We will not vote proxies on your behalf. You are welcome to vote proxies or designate an independent third-party at your own discretion. You designate proxy voting authority in the custodial account documents. You must ensure that proxy materials are sent directly to you or your assigned third party. We do not take action with respect to any securities or other investments that become the subject of any legal proceedings, including bankruptcies. You can contact our office with questions about a particular solicitation by phone at (210) 782-9855.

Third party money managers selected or recommended by our firm may vote proxies for you. Therefore, except in the event a third-party money manager votes proxies, you maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by you shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to your investment assets. Therefore (except for proxies that may be voted by a third-party money manager), our firm and/or you shall instruct your qualified custodian to forward to you copies of all proxies and shareholder communications relating to your investment assets.

#### **ITEM 18 – FINANCIAL INFORMATION**

We do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for our most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, we have not been the subject of a bankruptcy petition at any time.