

# Disclosure Brochure

March 28, 2024



## **Exencial Wealth Advisors**

*a Registered Investment Adviser*

### **Principal Office**

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This brochure provides information about the qualifications and business practices of Exencial Wealth Advisors, LLC. If you have any questions about the contents of this brochure, please contact Caleb Dillard at (888) 478-1971. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Additional information about Exencial Wealth Advisors is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Exencial Wealth Advisors is an SEC registered investment adviser. Registration does not imply any level of skill or training.

## ITEM 2: MATERIAL CHANGES

The following material changes have been made to this Disclosure Brochure:

Item 4 – Advisory Services – updated to include: (i) information on the change to First United’s ownership interest in Exencial, and (ii) disclosures on sub-advisory and model portfolio arrangements Exencial has entered into with third party advisers.

Item 5 – Fees and Compensation – updated to include disclosures on the fees received by Exencial under the sub-advisory and model portfolio arrangements.

Item 9 – Disciplinary Information – updated to include disclosures on a disciplinary event pertaining to two of Exencial’s advisory representatives.

Item 10 – Other Financial Industry Activities and Affiliations – updated to include disclosure regarding two Exencial advisory representatives that are also representatives of an unaffiliated broker-dealer, along with the associated conflicts and how the firm addresses the conflicts.

Item 12 – Brokerage Practices – updated brokerage and clearing services to add SEI as a custodian for a Wrap Program.

Item 14 – Client Referrals and Other Compensation – updated to include reference that certain Exencial advisory representatives are also insurance agents and broker-dealer registered representatives.

The following material changes were made to this Disclosure Brochure on September 29, 2023:

Item 12 – Brokerage Practices – updated brokerage and clearing services and research, software, and other soft-dollar benefits to remove TD Ameritrade. TD Ameritrade merged with Charles Schwab.

Item 14 – Client Referrals and Other Compensation – updated to remove TD Ameritrade as a recommended custodian for clients since TD Ameritrade merged with Charles Schwab.

Additional non-material changes were made to this Disclosure Brochure. Clients and prospective clients are strongly encouraged to review this Brochure very carefully. Pursuant to SEC Rules, Exencial Wealth Advisors will ensure that clients receive a summary of any materials changes to this Brochure within 120 days of the close of the Firm’s fiscal year, along with a copy of this Brochure or an offer to provide the Brochure. Additionally, as Exencial Wealth Advisors experiences material changes in the future, we will send you a summary of our “Material Changes” under separate cover.

For more information about the firm, please visit [www.exencialwealth.com](http://www.exencialwealth.com). Additional information about the Firm and our investment adviser representatives is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## ITEM 4: ADVISORY BUSINESS

### Advisory Firm Description

Exencial Wealth Advisors, LLC (“Exencial” or the “Firm”) (formerly doing business as Burns Wealth Management, LLC) is an SEC registered investment adviser and is majority owned by Burns Wealth Management, Inc. While this brochure describes the business of the Firm, some sections will also describe the activities of “Supervised Persons,” which include officers, employees or any others providing investment advice under the Firm’s supervision.

Exencial has branch offices in:

- Huntersville, North Carolina
- Newtown, Pennsylvania
- Westlake Village, California
- Cincinnati, Ohio
- Tampa, Florida
- Guilford, Connecticut
- Stamford, Connecticut
- Old Lyme, Connecticut
- Plano, Texas
- Dallas, Texas
- Austin, Texas
- San Antonio, Texas

In June 2021, Exencial entered into a strategic partnership with First United Bank and Trust Company (“First United”) in Oklahoma, whereby First United purchased a minority ownership in Exencial. In June 2022, First United purchased an additional ownership interest, bringing its ownership of Exencial to 25%. In December, Exencial redeemed some of the units issued to First United which reduced their ownership to approximately 20%. Please refer to item 10 below for additional information.

### Types of Advisory Services

The Firm provides its clients with the following services, which are defined in greater detail below.

- Wealth Management
- Financial Planning Consulting
- 401(k)/Retirement Plan Fiduciary
- Executive Services

Before engaging the Firm, clients will complete a written agreement with the Firm that describes the terms and conditions of the service(s), excluding tax services, including fees. In some cases, clients may complete more than one agreement.

#### Wealth Management Services / Comprehensive Planning

For clients selecting Wealth Management Services, the Firm provides management of investment portfolios and a range of financial planning consulting services, such as:

- Advising on specific financial issues and risks.
- Establishing financial goals.
- Reviewing and providing a statement of current financial position.
- Analyzing cash flow.
- Developing target asset allocation.
- Reviewing allocation expected returns.
- Reviewing debt management.
- Coaching or validation in addressing a particular financial topic.
- Designing, implementing, monitoring, and maintaining an investment plan.
- Tax planning/preparation
- Estate planning

Unless otherwise requested by a client, the Firm manages each Wealth Management client's assets on a discretionary basis based on an investment strategy tailored to the needs of the client. The strategy includes an Exencial asset allocation model portfolio comprised of investments determined to be suitable and in line with the client's overall investment objectives and risk appetite provided by the client to the Firm. Exencial offers four main types of asset allocation model portfolios, which are designed to provide clients with an appropriate mixture of preservation, inflation protected, and growth assets that the Firm believes is likely to meet a client's future cash flow needs and planning parameters.

Wealth Management clients may impose reasonable restrictions on investing in certain securities or may request to be contacted before trading certain types of securities.

Client assets being transferred to the Firm for management may include cash or securities. After consultation with the client, the Firm may liquidate and/or hold transferred securities as part of the investment strategy. Assets can potentially be liquidated before transferring in as well. These actions may subject the client to taxes, transaction fees, or other investment-related costs. If the client wishes to retain existing securities, the client needs to notify the Firm.

Upon approval of the strategy by the client, the Firm implements and manages the investment portfolio by:

- Selecting specific investments.
- Placing trades in the client's account.
- Rebalancing the account, as necessary.
- Regularly monitoring the investments and exposure.

In providing Wealth Management services, the Firm primarily allocates client assets among asset classes that are in line with the client's selected asset allocation portfolio. The asset classes utilized include cash, fixed income, U.S. large companies, U.S. small companies, international large companies, international small companies, emerging markets, and real and alternative assets. Securities used to gain asset class allocations include individual equities, fixed income securities, mutual funds (including exchange traded funds ("ETFs") and exchange traded notes ("ETNs"), private investments, derivatives (e.g., options), and cash and cash equivalents.

For certain qualifying clients, the Firm will recommend investments in certain privately held securities. Such securities are usually structured as private investment funds that invest in different types of instruments, including but not limited to equities, debt instruments,

commodities, real estate, private companies, and other private investment funds. The Firm will only recommend private funds to clients meeting the regulatory definition of “accredited investor” under Regulation D of the Securities Act of 1933, and/or “qualified client” under the Investment Advisers Act of 1940. While a Firm representative goes over the details of the investment and its risks when providing the recommendation, it is important that clients also read the fund’s offering documents that are provided by the Firm in their entirety prior to investing as these investments are deemed higher risk than similar publicly traded securities. These documents outline the fund’s investment strategy and objectives, the fees to be paid by investors, the risks, and conflicts, along with any lockup periods and potential tax consequences.

Exencial Wealth Advisors also, from time to time, will recommend and/or utilize independent third-party investment managers (“Separate Account Managers” or “SAMs”) to manage a portion of a Wealth Management client’s assets. See below under “Use of Separate Account Managers” for further information.

Depending on the needs of a client and at client request, the Firm will also provide investment advice on other assets a client owns, such as annuities, or assets held in an employer-sponsored retirement plans or other outside account. In addition, depending on the needs of a client the Firm will recommend that the client consider obtaining a securities-backed loan or line of credit with an unaffiliated third-party bank or brokerage firm. These types of loans are not suitable for all investors and carry a number of risks (Please refer to Item 8 below for details on applicable risks). Clients should not obtain such a loan or line of credit without fully understanding the benefits and risks.

In these cases, described in the paragraph above, the Firm is primarily providing consulting services and not continuous management recommendations. The Firm will typically incorporate these positions into a recommended overall asset allocation and regularly review it.

The Firm recommends that clients meet with a representative at least annually to review their specific portfolio. Clients are advised to notify the Firm as soon as possible if their financial situation or investment objectives should change.

Please refer to Item 8 below for further information on our investment strategies, asset allocation model portfolios, and asset classes utilized, along with the associated risks.

### *Financial Planning Consulting Services*

The Firm offers Financial Planning Consulting to clients on a broad range of issues including general cash flow planning, retirement planning, insurance analysis, education funding, tax planning, tax preparation, charitable giving, business succession, risk management, estate planning, financial aspects of divorce, and other services agreed to in writing.

The Firm provides specific recommendations to clients who engage the Firm for Financial Planning Consulting. Depending on the needs of a client, the Firm will recommend the services of professionals, including the Firm itself, to implement the financial planning recommendations. The client retains absolute discretion over all implementation decisions and is under no obligation to act upon any of the recommendations. Clients should be aware that a conflict of interest exists if the Firm recommends its own services as part of its recommendations. Financial Planning Consulting clients are advised that it is their responsibility to notify the Firm of changes in their objectives or financial situation.

When performing financial planning consulting services to a client, the Firm will request information from the client and possibly other professionals such as the client's tax advisor, insurance agent, attorney, etc. When relying on information from others, the Firm is not liable for errors in the information provided and is not required to independently verify the information provided.

#### 401(k)/Retirement Plan Consulting and Fiduciary Services

The Firm serves all of its 401(k)/Retirement Plan clients as a fiduciary. At the beginning of the relationship, the Plan client chooses whether the Firm will manage its accounts under Section 3(21) or 3(38) of the Employee Retirement Income Security Act ("ERISA"), and such election will be outlined in the client agreement.

As part of this service offering, the Firm meets with plan sponsors to determine the investment goals of the plan. For plans that do not already have one, the Firm will assist in developing an investment policy statement that is consistent with the plan document by:

- Listing criteria for selection of investment vehicles, procedures, and timing of performance monitoring.
- Providing analysis and advice in order to assist plan fiduciaries in their decision-making processes.
- Making recommendations of mutual fund options to plan sponsors for implementation, or determining and implementing investment options for the Plan, depending on authority granted to Exencial.

In addition, the Firm offers the following services to plans and their participants:

- Ongoing monitoring of plan investment options, maintenance of a "watch list" when appropriate, and making recommendations regarding the replacement or addition of investment choices.
- Providing ongoing supervision of plan client assets (discretionary management).
- Providing model portfolios as plan options that participants can choose from (these would be in addition to mutual fund options made available by the plan). Consulting regarding compliance with the plan document and ERISA requirements.
- Educating participants regarding the plan.
- Assisting with group enrollment meetings with plan employees.
- Monitoring of the record keeper and trustee to ensure they are performing the functions in their service agreement.
- Plan benchmarking of plan costs and services to market and peer averages.

#### 401K Participant Accounts

When Exencial manages a client's 401K participant account, if such account is held at a custodian that is not directly accessible by Exencial ("Held Away Account"), then we request permission from such client to use a platform that is administered by a third-party service provider. The platform gives Exencial the ability to view the 401K account assets in real time and effectively place transactions.

Exencial has entered into a subscription agreement with the third-party service provider and when a client agrees to Exencial's use of the platform, the client will be given a copy of the service provider's terms and conditions agreement for users and must agree to the terms and conditions outlined within. It is important for clients to review the agreement in its entirety in order to be fully aware of all conditions and requirements. For example, the terms and conditions include, but are not limited to, the client agreeing to provide the third-party service provider with access to all account information in their 401K account and authorizing Exencial to use the platform to facilitate the investment management of that account. Exencial is granted access to view and manage the client's 401K account assets via a platform login. The login access does not give Exencial the authority or ability to transfer or withdraw any assets in a client's 401K account.

Exencial is not affiliated with the third-party service provider, and we do not receive any compensation from them for using their platform. There is a fee charged by the third-party service provider for the use of the platform, which is paid by Exencial, not our clients.

### Executive Services

The Firm is often hired by companies for the benefit of their corporate executives. These companies pay the Firm to provide services that they choose from the list below:

- Tax planning and preparation, including tax returns
- Estate planning
- Insurance planning
- Employee benefit analysis
- Retirement planning

The Firm provides Executive Services recipients with services outlined in its employer's executive services contract and can include statements of net worth, stock option charts, tax projections, tax returns, estate planning flow charts, insurance sufficiency models and retirement cash flow models. In addition to the services provided under the employer's contract, some of these executives may wish to hire the Firm to provide other services not covered under their employer's contract. In these cases, the individuals pay for these services directly.

### Use of Separate Account Managers (SAM)

As mentioned above, from time to time the Firm will recommend or select (depending on the arrangement) one or more Separate Account Managers to actively manage a portion of a Wealth Management client's assets. Generally, this happens when a SAM offers an investment strategy that is in line with a client's investment objectives and risks, but not offered by Exencial. Importantly, Exencial only utilizes a SAM when the Firm believes it is appropriate and, in a client's, best interest.

Access to SAMs will be through either a sub-advisory arrangement between Exencial and the SAM, or through a direct contract engagement between the client and the SAM. Exencial is delegated the authority to hire and fire SAMs on behalf of a client when deemed in the client's best interest, through the client agreement that each client enters into with Exencial.

Under both types of arrangements, the SAM will have discretionary authority to manage the allocated assets, which will be performed in accordance with each client's objectives and restrictions and the selected investment strategy. On an ongoing basis, the Firm monitors the



performance of the accounts being managed by SAMs to help ensure the SAMs' strategies and investments remain aligned with clients' investment objectives and overall best interests.

Each Wealth Management client that has account assets managed by one or more SAMs will receive a copy of each SAM's Form ADV Part 2A (Disclosure Brochure) at the beginning of the relationship, which should be read in its entirety, along with this Form ADV Part 2A. This will allow clients to fully understand the services, fees, conflicts, and risk surrounding these arrangements.

### Research Services

From time to time, we enter into agreements with financial planning firms and other similar services providers, wherein we provide research services that assist these other providers in, among other things, evaluating securities and investment opportunities.

### Sub-Adviser Services

Exencial has entered into written agreements with one or more unaffiliated third-party investment advisers to serve as a sub-adviser and provide investment management services to the third-party advisers' clients. Under a sub-advisory arrangement, the third-party investment adviser is responsible for working with its clients to select the appropriate Exencial strategy for investment that is suitable for the client based on the client's overall investment objectives. Exencial manages the clients' assets designated to Exencial based on their respective selected investment strategy, as provided by the third-party investment adviser. The third-party adviser is responsible for informing Exencial of any changes to a client's objectives.

### General Consulting

In addition to the foregoing services, we provide general consulting services. These services are generally provided on a project basis, and can include, without limitation, minimal cash flow planning for certain events such as education expenses or retirement, estate planning analysis, income tax planning analysis and review of a client's insurance portfolio, as well as other matters specific to a client as and when requested by a client and agreed to by Exencial. The scope and fees for consulting services will be negotiated with each client at the time of engagement for the applicable project.

### Unaffiliated Wrap Programs

Exencial also offers its investment strategies through certain wrap programs (each, a "Wrap Program"), which are sponsored by multi-service financial institutions unaffiliated with us (each, a "Wrap Sponsor"). A list of such Wrap Programs may be found in Part 1 of our Form ADV. Clients wanting to participate in a wrap program ("Wrap Client") will enter into a written agreement with the Wrap Sponsor, not Exencial Wealth Advisors. Generally, a Wrap Client will select an investment adviser, such as Exencial, from a list of Wrap Sponsor-approved advisers. The selected adviser will provide investment management services to the Wrap Client for the assets allocated to the Wrap Program. For a single all-inclusive fee that the Wrap Client pays the Wrap Sponsor (the "Wrap Fee"), a Wrap Client receives certain other services from the Wrap Sponsor, such as trading execution and custodial services. Exencial does not receive any fees or compensation directly from any Wrap Client. Under an agreement with the Wrap Sponsor, Exencial receives a portion of the Wrap Fee from the Wrap Sponsor for providing investment management services to the Wrap Client. Although the types of

investment management services we provide to Wrap Clients are generally the same as the types of investment management services provided to our non-wrap clients, certain differences exist. These include that: 1) the Wrap Sponsor collects each Wrap Client's investment objectives and assists in determining the strategy best suited for the Wrap Client, and 2) communications regarding the investment management of a Wrap Clients' assets is between the Wrap Sponsor and the Wrap Client, with Exencial only communicating with the Wrap Sponsor (unless the Wrap Client requests otherwise).

#### SMA Model Programs

Exencial has entered into a written agreement with an unaffiliated investment adviser ("Program Sponsor") that has developed and maintains a "Separately Managed Account Models Program", which provides model portfolios to third party advisers to use with their clients. Under this agreement, Exencial provides the Program Sponsor with a model portfolio for one or more of our investment strategies. Exencial is responsible for ongoing management of the model portfolio(s) and communicates recommended changes to the Program Sponsor. Exencial does not have any relationship or agreement with the Program Sponsors' clients or the third-party advisers' clients (together referred to as "Program Clients") and we do not receive any specific information about the Program Clients from either party. The Program Sponsor and/or the third-party adviser retain full discretion on whether to invest their clients' assets using Exencial's model portfolio and implement any of the changes we recommend. Exencial does not include any Program Clients' assets that are invested in our model portfolio(s) in the calculation of our AUM (assets under management); however, we are paid an annual flat percentage fee that is based on the amount of assets invested in our model portfolio(s), which is calculated and paid quarterly to us by the Program Sponsor. Please refer to Item 5 below for further information on fees.

#### Client Assets Under Management

As of December 31, 2023, the Firm has \$\$4,806,693,229 in discretionary assets and \$208,994,242 in non-discretionary assets for a total of \$5,015,687,471.

### **ITEM 5: FEES AND COMPENSATION**

The Firm offers its services to clients on a fee basis.

#### Wealth Management Fees

The Firm provides Wealth Management Services to clients for a fee based upon a percentage of the market value of the assets under management. This fee is generally 1% annually but can be higher or lower depending upon the size of the client's portfolio and the services to be provided. The Firm has in the past, and may in the future charge a lower fee based on other factors such as anticipated additional assets, related accounts, pre-existing client, *pro bono* activities, etc. In some cases, legacy fees for clients from advisory firms acquired by the Firm are honored and continued given a historical relationship with the Firm services. These fee arrangements usually result in a lower fee, or fee minimum than what is being charged by Exencial. In addition, these clients can have a different billing arrangement, such as being billed in arrears instead of in advance. All fees and billing arrangements are outlined in each client's investment advisory agreement. For additional important information about Exencial's acquisitions and the material conflicts, please refer to Item 10 – Other Financial Activities and Affiliations.

The Firm also has a tiered fee schedule offered to clients referred by Fidelity that are a part of the Wealth Advisor Solutions (WAS) referral platform and the SmartAsset referral program. In these referral programs, minimum AUM amounts differ from the Firm's minimum of \$250,000. The Firm pays Fidelity an ongoing referral fee on clients referred under the program and the tiered fees offered to these clients are not higher than the fees charged by Exencial to non-referred clients. The Firm pays a one-time referral fee on leads referred by SmartAsset and these clients are offered a similar fee tier and services as the clients referred under the WAS program. More information about these arrangements can be found below in Item 14: Client Referrals and Other Compensation.

Referred clients from the WAS and Smart Asset programs and in some cases clients who negotiate lower fees or services receive a lower management fee for fixed income management or for the Fixed Income Strategy. This fee is fully disclosed to Wealth Management clients in writing in the client agreement.

Tiered fees are applied at a household level where family accounts (generally defined as spouse and children living in same household) are aggregated together to apply the fee tier. The fee that the Firm will charge will be fully disclosed to Wealth Management clients in writing and will be outlined in the client agreement. The fee is charged quarterly, in advance, based upon the market value of assets (including cash, cash equivalents, and accrued interest, as applicable) on the last day of the previous quarter as valued by the custodian or other reputable pricing provider if custodial pricing is not available. Some tiered schedules have lower fees charge on fixed income. This lower fee applies to the securities held in our Fixed Income Strategy and does not apply to fixed income securities held in other strategies like the Equity Income strategy. This fee is based on the strategy not the security type.

Ultra-high net worth clients are sometimes offered a flat annual fee paid annually or quarterly plus an assets-based fee. The flat annual fee can range from \$10,000 to \$100,000 based on estate planning, financial planning, and the complexity of the tax services provided.

Wealth Management asset-based fees that are charged in advance shall be prorated for each capital contribution and withdrawal of \$100,000 or more made within the same business day during the applicable calendar quarter. We design our portfolios as long-term investments and asset withdrawals can affect the performance of your account(s) and impair the achievement of your investment objectives.

Clients may elect to have other fees drafted from their investment accounts to pay for other firm services outside of asset-based fees and asset management. Since these fees are separate from asset management, they will be included on client performance reports but will not be netted out for a client's net performance calculation.

New accounts opened during a calendar quarter are assessed a fee that is prorated based on the day the account was opened and funded and billed at the end of the quarter. In these situations, end of day pricing is used to establish the fair market value of the assets. In some cases, pro-rated fees charged to accounts are waived, at the discretion of the Firm.

Upon termination of any account, any prepaid unearned fees will be refunded promptly.

### Third Party Fees

Clients will incur certain charges, as applicable, that are imposed by custodians, broker-dealers and other third parties such as brokerage commissions, transaction fees, custodial

fees, exchange fees, fees charged by the SAMs, deferred sales charges, odd-lot differentials, margin interest, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

Client assets invested with SAMs recommended and/or utilized by the Firm will be subject to management fees charged by each SAM, as described in each SAM's disclosure brochure (Form ADV Part 2A). The disclosure brochure is provided to each Wealth Management client investing with a SAM and should be read carefully. The management fees are charged separately by the SAM and are in addition to the Firm's management fees.

When the Firm or a SAM invests in a mutual fund (including a money market fund) or ETF for a client's account, the client is subject to certain indirect fees charged by mutual funds and ETFs, which are in addition to management fees and the third-party fees described above. These fees are for the fund's investment management, marketing, administration, and shareholder servicing assistance and are deducted at the fund level and reflected through the fund's net asset value (NAV). They are disclosed in each fund's prospectus, which is provided to clients by the custodian and should be read carefully. The fees charged by mutual funds vary between funds, depending on a few factors such as the type of investment strategy, class of shares, and distribution channels. In addition, the custodian generally charges a transaction fee on mutual fund (and other) transactions executed in clients' accounts, although Fidelity does offer certain mutual funds on a no transaction fee basis.

Exencial strives to invest client assets in mutual funds and ETFs that are the most economical under the circumstances; however, it is important that clients understand how all these fees can affect investment returns over time. For further information, please refer to the SEC's Investor Bulletin at <https://www.investor.gov/additional-resources/news-alerts/alerts-bulletins/investor-bulletin-mutual-fund-fees-expenses>

Client assets invested in private funds are also subject to management fees, performance fees and other expenses as described in each fund's offering documents. These fees and expenses are separate from and in addition to the management fees charged by the Firm and SAMs.

The Firm does not share in or receive any of the third-party fees described above. Clients should carefully review the fees charged by their brokers, custodian(s), SAMs, and the mutual funds, ETFs, and private investments in which the client's assets are invested, together with the fees charged by the Firm, to fully understand the total amount of fees to be paid by the client and in order to evaluate the advisory services being provided.

### Margin Accounts

There are times when a Wealth Management client decides to use margin in their account, or when a margin account is necessary, such as when a client invests in options. Use of margin in a Wealth Management account can increase a client's asset-based Wealth Management fee. Specifically, if margin is used to purchase securities, the total value of the margined account assets increases, as does the asset-based Wealth Management fee.

Clients should be aware that the increased asset-based fee that a client pays presents a conflict since it creates an incentive for Exencial to recommend the use of margin to Wealth Management clients. However, Exencial only recommends margin accounts when it is required for trading in certain types of securities (e.g., options) and when it is the best option for the clients goals, needs, objectives, and risk appetite. Using a margin account is not suitable for all investors; the use of margin increases leverage in a client's account and therefore increases

overall risk. For further information on risks pertaining to margin accounts, please refer to Item 8 below and the Investor Bulletin issued by the SEC at [https://www.sec.gov/oiea/investor-alerts-and-bulletins/ib\\_marginaccount](https://www.sec.gov/oiea/investor-alerts-and-bulletins/ib_marginaccount) .

Clients with margin accounts also are charged margin interest by the broker/custodian on the debit balance in their account. Exencial does not receive any portion of the interest amount.

#### *Financial Planning Consulting Fees*

Financial Planning Consulting fees are set on an hourly or a fixed basis and negotiated based on the complexity of the project and any additional services provided by Exencial. Financial Planning Consulting fees are generally \$250 on an hourly basis or range from \$2,500 to \$15,000 on a fixed basis.

Clients choosing Financial Planning Consulting will enter into a written agreement with the Firm setting forth the terms and conditions of the engagement. Generally, the Firm requires one-half of the Consulting Services fee when the agreement is executed. The balance is generally due upon completion of the services, which occurs within a six-month period, assuming the client provides required information in a timely manner.

#### *Executive Services Fees*

The Executive Services fee is negotiated on an annual basis with the sponsoring corporation and is paid by the corporation to the Firm annually, in advance.

#### *Research Services Fees*

Fees for research service arrangements are negotiated separately. Fees are normally paid monthly or quarterly in arrears, or at the conclusion of a specific project.

#### *Sub-Adviser Services*

Sub-advisory clients do not pay Exencial any fees or compensation directly. Exencial receives investment management fees from each third-party investment adviser based on the total assets in each such third-party adviser's clients' accounts for which Exencial serves as sub-adviser. Exencial receives the sub-advisory fees on a quarterly basis from the third-party investment adviser, which is paid quarterly either in advance or arrears depending on the arrangement. Sub-advisory clients should receive information about the fees they pay from their third-party investment adviser. Each third-party investment adviser is required under federal securities laws to provide their clients, including sub-advisory clients with a copy of their Form ADV Part 2A ("Adviser Brochure"), which includes disclosures on, among other things, the fees charged to their clients. Sub-advisory clients should review the Adviser's Brochure in its entirety, along with this Brochure in order to fully understand the services, fees, and risks surrounding these arrangements. Sub-advisory clients should understand that these types of arrangements have layers of fees that may or may not be apparent without reading the Adviser Brochure and this Brochure, along with the offering document/prospectus for underlining investments.

#### *General Consulting Fees*

When we provide general consulting services, these services are generally separate from our financial planning and investment management services. Fees for general consulting are

negotiated at the time of the engagement for such services and are normally based on a fixed fee basis.

### Wrap Program Fees

Wrap Clients do not pay Exencial any fees or compensation directly, they pay the Wrap Fees to the Wrap Sponsor. Exencial is not generally informed of the specific fee arrangement negotiated between each Wrap Client and the Wrap Sponsor. The annual investment management fees we receive from each Wrap Sponsor are generally equal to either: (a) a percentage of the total assets in the Wrap Sponsor's Wrap Program accounts for which Exencial provides investment management services, or (b) a percentage of the Wrap Fees actually collected by the Wrap Sponsor from Wrap Clients for whose accounts we provide investment management services. Each Wrap Sponsor pays us on a quarterly basis, either in arrears or in advance, as outlined in each written agreement between Exencial and the Wrap Sponsor. The standard fees we receive from each Wrap Sponsor vary depending on the investment style selected and other factors. Wrap Clients can receive information about Wrap Fees from the Wrap Sponsor. Each Wrap Sponsor is required under federal securities laws to provide Wrap Clients with an Appendix 1 to Form ADV Part 2A ("Wrap Program Brochure"), which includes disclosures on, among other things, the Wrap Fees charged to Wrap Clients. Wrap Clients should review the Wrap Program Brochure in its entirety, along with this Brochure in order to fully understand the services, fees and risks surrounding these arrangements. Wrap Clients should understand that these types of programs have layers of fees that may or may not be apparent without reading the Wrap Program Brochure and this Brochure, along with the offering document/prospectus for underlining investments.

### Model Portfolio Program

Exencial receives fees based on the amount of Program Clients' assets that are invested in our model portfolio(s). The Program Sponsor calculates the fee and pays us on a quarterly basis, either in arrears or in advance, as outlined in each written agreement between Exencial and the Program Sponsor.

### Compensation Received by Representatives

Certain Investment Adviser Representatives of the Firm ("Exencial IARs") also are licensed insurance agents and from time to time recommend insurance products to clients as part of the overall financial planning process. In addition, certain Exencial IARs also serve as registered representatives of a registered broker-dealer. When performing these roles, the Exencial IARs will receive additional compensation. These outside business activities and the additional compensation create conflicts of interest.

Please refer to Item 10 below for further information regarding the outside business activities and the additional compensation received by these Exencial IARs, along with details on the conflicts surrounding these activities, and how the Firm addresses such conflicts.

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

Exencial Wealth Advisors does not charge performance-based fees (i.e., fees calculated based on a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory client). As described in Item 4 above, the firm provides advisory services

for a fixed fee, hourly charges and/or based upon a percentage of assets under management, in accordance with SEC Rule 205(a)(1). Notably, accounts that are managed in the same style (e.g., moderately aggressive) are not always managed the same way due to the client's overall investment objectives and risk tolerance, account asset size, and account restrictions.

Importantly, some of the private funds that clients invest in do charge performance/incentive-based fees, which are outlined in the respective fund's offering documents. In addition, one or more SAMs charge a performance-based fee for providing investment management services, which is outlined in their respective Form ADV Part 2A. While it may vary by SAM or private fund, performance fees are usually in addition to the management fee charged by the SAM or private fund. The performance fees are in addition to the management fee charged by Exencial; however, the Firm does not receive, directly or indirectly, any portion of the performance fees charged by SAMs or private funds.

These performance fees can only be charged to clients and fund investors that meet the definition of "qualified client" outlined in Rule 205-3 under the Investment Advisers Act of 1940. Any client or investor not meeting such definition is not charged a performance/incentive fee.

## **ITEM 7: TYPES OF CLIENTS**

The Firm provides investment advice and manages wealth management accounts for high-net-worth individuals, pension and profit-sharing plans, trusts, estates, municipalities, corporations and business entities, non-profits, and foundations.

### **Minimum Account Size and/or Fees**

For new clients, the Firm generally has a minimum annual fee of \$2,500 for Wealth Management Services. This minimum fee can make Exencial Wealth Advisors' Wealth Management Services impractical for clients with less than \$250,000 under the Firm's management. The Firm, in its sole discretion, sometimes accepts clients with smaller portfolios based on factors such as anticipated additional assets, related accounts, *pro bono* activities, etc. The Firm sometimes aggregates the portfolios of family members to meet the minimum portfolio size.

For the WAS referral platform and given the Firm's Fee tier for the platform, minimum investments are \$750,000. The Firm, in its sole discretion, sometimes accepts clients with smaller portfolios based on the same factors listed above.

If a client's account is a pension or other employee benefit plan governed by the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), the Firm may be a fiduciary to the plan. In providing our advisory services, the standard of care imposed upon us is to act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. The Firm will provide certain required disclosures to the "responsible plan fiduciary" (as such term is defined in ERISA) in accordance with Section 408(b)(2), regarding the services the Firm provides and the direct and indirect compensation the Firm receives. Generally, these disclosures are contained in this Form ADV Part 2A, the client agreement and/or in separate disclosure documents and are designed to enable the ERISA plan's fiduciary to: (1) determine the reasonableness of all compensation received by the Firm; (2) identify any potential conflicts of interests; and (3) satisfy reporting and disclosure requirements to plan participants.

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

### **Methods of Analysis**

The Firm's primary method of analysis is a fundamental analysis of an investment's price, its expected income and returns, and applicable risks.

The Firm does this by evaluating the current market prices and/or expected return for broad asset classes such as bonds, real estate, and stocks. The figures for each asset class are then compared to the figures of other asset classes. In addition, the Firm will compare the current figures to historical data when available in order for the Firm to view the numbers with a broader perspective. When the price of an investment appears low or attractive relative to risks and other alternatives, the Firm often may place greater emphasis on that investment in recommended portfolios. This analysis can, for example, lead the Firm to emphasize stocks over real estate or certain types of stocks over other types of stocks. Emphasizing lower priced investments over higher priced investments is sometimes termed "value investing." Although the Firm believes that buying assets at what appear to be relatively attractive values have the potential to provide higher expected returns over time, the value of these investments can decline and it can take months or years for an investor to be rewarded for such a strategy, if at all. Conversely, asset classes that appear to be expensive can perform well and become even more expensive, and during these cycles value investing can underperform broad market averages. This form of investing best serves those willing to invest for the long term.

When managing individual stocks, the Firm performs an ongoing fundamental analysis of a company's management structure and performance, earnings, new products, and services, as well as the company's market and position amongst its competitors. Often this analysis includes a discounted cash flow model as is evaluated relative to other companies.

### **Asset Allocation Strategies**

The Firm uses an asset allocation strategy in managing its clients' assets allocating among the following asset classes:

- Cash
- Fixed Income Securities
- U.S. Large Companies
- U.S. Small Companies
- International Large Companies
- International Small Companies
- Emerging Market Companies
- Real Assets and Alternative Investments



Generally, the Firm utilizes mutual funds and exchange traded funds (“ETFs”) for our asset allocation strategies that invest in the above asset classes, but we also invest clients’ accounts directly in the asset classes by purchasing common stock, bonds and may include private funds.

The firm primarily allocates to these asset classes using in-house managed strategies. Where it makes sense for the client based on goals objectives, needs objectives, and risk; in-house managed strategies are used to create a custom model for the client. The strategies used are described below in section titled *Investment Strategies*.

All security investments in our asset allocation strategies must be approved by the Investment Committee.

The *fixed income component* is typically more conservatively invested for less volatility than equities and is often used to provide cash to clients when they need to take withdrawals from their accounts. Because the component is positioned to take less volatility risk, it generally produces lower returns. The Firm attempts to manage these investments with the goal of achieving a return equal to or greater than inflation. This component typically includes investments in high-quality government bonds and corporate bonds, certificates of deposit, foreign bonds, preferred stocks, lower quality bonds, and mutual funds and ETFs that invest in fixed income. The Firm attempts to manage risks such as inflation and interest rate risk by diversifying this component into many investments with different characteristics. Factors the Firm considers in purchasing or selling individual bonds include yield to maturity compared to similar issues, yield premium to the US Treasury rate and the premium or discount to par, and credit ratings.

In addition, as part of the overall fixed income component, the Firm will recommend from time to time that certain clients consider obtaining a securities-based loan or line of credit with an unaffiliated third-party bank or brokerage firm. These types of loans are not suitable for all investors and carry a number of risks. It is important that clients understand all the risks involved prior to obtaining the loan. Some of these risks include: (i) failure to perform by the lender due to financial instability, (ii) tax consequences and loss of appreciation due to premature sale of the securities used as collateral, (iii) lack of funds to repay the loan, and (iv) high cost and high interest rate charges. There also is a conflict of interest surrounding the Firm’s recommendation to obtain such a loan, mainly due to the fact that the loan proceeds may be used in place of a client having to withdraw assets from their account managed by the Firm. Therefore, the Firm continues to receive fees on the securities in the account even though they are used as collateral. To address this conflict, the Firm has implemented policies and procedures to ensure that all recommendations being provided to clients are suitable and the clients are aware of all material risks and conflicts. For further information about these types of loans, please refer to the Investor Bulletin issued by the SEC at <https://www.sec.gov/oiea/investor-alerts-bulletins/sbloc.html>.

The *equity component* provides the potential for growth and is used primarily to hedge purchasing power decreases due to inflation and longevity/asset depletion risk for clients who may be withdrawing from their assets for long periods of time, as occurs in retirement. This component is invested for growth by taking ownership stakes in public and private companies. These types of securities carry a number of risks and just like with any securities investment, there is no guarantee of a positive return. However, the Firm attempts to reduce and manage these risks by properly diversifying the equity portfolio and ensuring that the client is holding an adequate amount of assets in fixed income and in some cases, alternative investments/strategies, such as our Hedged Equity Strategy. Investments in the equity component typically include large, mid-sized and small capitalization U.S. and international companies, as well mutual funds and ETFs that invest in these types of equities. In addition, the Firm's recommended equity component includes more small- and lower-priced companies than typical market indices such as the S&P 500 because these companies have historically outperformed larger and higher- priced companies, and we believe they will continue to do so.

When considering individual equity investments, the Firm analyzes company and industry-specific information from corporate, quarterly, 10(K) and 10(Q) reports, brokerage and independent research analyses and media publications. The Firm seeks to understand the substance of each company's business model and the stability and profitability typically illustrated in key balance sheet and income statement measures.

The Firm also seeks to determine fair valuation based upon current statistics compared to historical norms.

The Firm typically invests in individual equities of companies with a market capitalization of at least \$1 billion. The Firm's approach is not focused on any particular market capitalization but rather on the qualities of the company and its valuation compared to past standards. Selections may be domestic or international companies. The Firm diversifies individual equity holdings by sector. The Firm's sell disciplined is based upon changes in key valuation measures, market conditions, company-specific fundamentals, and maintenance of asset allocation ranges.

The Real assets and alternative investments asset class consists of publicly traded securities and private funds. These private funds include real estate, commodities, non-u.s. Currencies, crypto currencies, private credit and private debt, hedging strategies, and other investments.

#### *Asset Allocation Model Portfolios*

Exencial's Asset Allocation Model Portfolios are designed to provide clients with an appropriate mixture of equity/growth assets (weights ranging from 30% to 100% in 5% increments) and bond/income assets (weights ranging from 0% to 70% in 5% increments) that the Firm believes is likely to meet a client's future cash flow needs and planning parameters. There are two primary model types utilized by Exencial:

Market-Wide Equity Factor Model: Formerly known as "EWA Model" and "Fund Model". This model uses primarily mutual funds and ETFs and has weights to multiple asset classes such as real estate, large, mid, and small caps, growth and value equities, and international equities.

Custom Models: If a client's investment portfolio does not lend itself to fit the above model and is not expected to be transitioned to a model in the future, then a custom asset allocation

model is typically used for that client.

## **Investment Strategies**

### Core Equity Strategy

Our Core Equity Strategy is typically comprised of large-cap quality growth stocks but can also include small-cap, mid-cap, and international stocks. This strategy focuses on high quality, industry leading companies, resulting in a well-diversified portfolio of global corporations. In 2022, the Firm merged its SELECT Strategy with Core Equity.

We analyze investment trends and search for opportunities not only within the U.S., but also in international and emerging markets. Many of the holdings in the Core Strategy generate more than 50% of sales outside of the United States. The balance of large cap, mid cap, small cap, international and emerging markets can provide solid diversification and growth opportunities. Valuation parameters include Price/Earnings (PE), Price/Cash Flow (PCF), Price to Growth (PEG), Price/Book/Value (PBV), and Discounted Cash Flow Model (DCF).

### Covered Call Portfolio Strategy

When appropriate for a client's investment objectives and risk tolerance, we can utilize a covered call strategy for a portion of a client's managed portfolio.

#### What is a Covered Call?

A covered call strategy is constructed by selling call options on stocks that are owned in a portfolio. The sale of call options produces income, which is received in exchange for future price appreciation over the strike price of the call option. The goal of the covered call strategy is to enhance total return by generating income and providing limited downside protection.

#### What is a Call Option?

A call option gives the owner the right to buy a stock before a specified date (expiration) and at a specified price (strike price). In a covered call portfolio, this right is sold to someone else in exchange for income.

#### What type of stocks are best for this strategy?

We identify stocks that we believe have minimal downside risk to current price levels and modest upside potential. Large cap stocks are targeted due to the significant liquidity advantage in the options market that large cap stocks hold over small caps. The universe of large cap stocks that are candidates for covered call portfolios is derived from our core, large-cap quality growth equity process.

#### When is this strategy most effective?

A covered call strategy works best in a relatively flat or slightly positive market environment. In these scenarios, the owner of a covered call portfolio receives income from writing the call, dividend income from the underlying stock, and modest appreciation potential of the underlying shares.

### Hedged Equity Strategy

When appropriate for a client's investment objectives and risk tolerance, we can utilize this hedging strategy for a portion of a client's managed portfolio. Generally, the hedged equity strategy will be utilized for certain clients that want to maintain some equity exposure but are looking for greater growth and income potential than what fixed income investments can provide.

### Custom Options Strategy

This strategy is mainly used with clients that have a concentrated position in a security and they either do not want to sell or selling would cause a large tax burden. The goal of this strategy is to reduce risk and diversify the client out of the concentration position. The strategy is geared to generate income, provide some downside protection, and lower the volatility of the position in the security.

This strategy uses long-dated options, and in some cases combining the purchase of protective put options, with the sale of covered calls as a partial replacement for equity exposure. The strategy also includes the purchase of treasuries, the sale of cash-secured puts on long-dated bonds (TLT), and in some cases the purchase of gold (via ETFs) to provide some negative correlation to equities.

#### What is a protective put option?

A protective put is a risk-management strategy that uses put options contracts to guard against the loss of owning a stock or asset. The hedging strategy involves an investor buying a put option.

#### What is a cash-secured put option?

A cash-secured put is when a client sells an out-of-the-money put, with cash in the account to cover the purchase of the underlining stock.

#### What type of stocks are best for this strategy?

As mentioned above, this strategy is mainly used with certain clients that have concentrated positions in securities.

#### When is this strategy most effective?

This strategy works best when the underlining stock has only moderate movement in the stock price.

#### Do options increase the risk in my investment portfolio?

While both of our option strategies are designed for hedging the loss associated with owning equities, they do carry risks, including the risk of loss of principal investment. It is important for clients to understand all risk associated with option strategies. For additional information on risks pertaining to options, please refer to the summary under "Risk of Loss" later in this section.

### Equity Income and Equity Income Select Strategies

Generating steady income from traditional fixed income investments is a challenge due to the current low interest rate environment. The Equity Income and Equity Income Select Strategies attempt to overcome this by building diversified portfolios of income generating securities across asset classes and sectors. These strategies do contain more risk than traditional high-quality bonds, however we believe the long-term risk is lower than reaching for yield within fixed income by focusing solely on long dated or lower credit quality bonds. The primary objectives in selecting securities are the sustainability of the current dividend and the ability of the company to raise the dividend in the future. The Equity Income Strategy can be comprised of high dividend paying stocks, preferred stocks and fixed income investments. The Equity Income Select Strategy, which is available for taxable accounts, may hold the same securities with the addition of master limited partnerships.

### Defensive Equity Strategy

This strategy (formerly called the Enhanced Yield Strategy) attempts to build a diversified portfolio consistently invested in most major economic sectors as defined by the S&P 500 Index. We focus on 25-35 high quality companies that have delivered stable and consistent returns through the business cycle. This strategy seeks a balance of income and growth with competitive returns. The goal of the strategy is to have lower risk and lower volatility than the S&P 500, as measured by beta.

### Fixed Income Strategy

The focus of this strategy is to select fixed income securities based primarily on credit quality and cash flow, while also providing yield generation while managing interest rate risk. The Fixed Income Strategy provides a strong foundation to a balanced portfolio, reducing risk by investing in companies with low default risk. Taxable bond portfolios are constructed using US Treasuries, US Agencies, investment grade corporate bonds, municipal bonds, and treasury inflation protected securities (TIPS). We currently favor agencies and corporate bonds due to the low returns offered by US Treasuries.

### Thematic ETF Strategy

Our Thematic ETF Strategy focuses on identifying sustainable, game-changing secular trends, and building a diversified portfolio of ETFs which are directly exposed to these themes. Importantly, our research process seeks to distinguish short-term fads from sustainable, long-term trends. To accomplish this important filtering process, we leverage our existing research and portfolio management methodology for the Core Equity Strategy. Some good examples of secular trends are the build - out of the Internet in the mid to late 90s, social networking, the move to mobile devices, and the increasing role and importance of "Big Data".

This portfolio is relatively concentrated, holding 10-15 ETFs. At the same time, the overall philosophy of this portfolio lends itself to significant exposure to technology-related sectors. Both factors are likely to make this portfolio more volatile than the overall market.

### International Equity Strategy

Our International Equity Strategy is typically comprised of large-cap stocks that generate the majority of their revenue and profits outside the United States. We focus on high-quality, industry- leading companies results in a well-diversified portfolio of global corporations.

This strategy is a natural extension of our Core Equity Strategy. In today's global economy strong companies must compete on a world-wide platform. Many of the companies that fit the

quality criteria for the International Equity Strategy are peers, competitors, customers, or suppliers of companies that we have owned in the Core Equity Strategy over the years.

The International Equity Strategy focuses largely on identifying investment trends and opportunities in developed international markets but can invest directly in emerging markets provided the companies in question meet our quality criteria. Emerging markets can offer superior growth prospects due to favorable demographic and per-capita income trends. However, those growth opportunities often come with increased risk from factors including, but not limited to:

- Volatile currency movements
- Political/regulatory instability
- Poor corporate governance standards
- Lower financial statement transparency/reliability
- Lower liquidity
- Increased trading costs/complexity

Additionally, the International Equity Strategy may invest in small- to mid-cap companies if it is determined that the business has a leading position in an attractive industry sector or niche. Smaller cap companies often have favorable growth prospects. However, the more favorable growth profile often comes with the following risks, without limitation:

- Lack of operational history and/or proven business model
- More projection implied in market valuation
- Lower liquidity
- Less scrutiny from the investment community
- Weaker access to capital

#### Investment Oversight

There are three levels of approval provided by the Investment Committee. The first level includes investments that can be used by Firm representatives and are part of the Firm's asset allocation model portfolios. The second level includes investments that can be used by representatives as a substitute for the first level securities, mainly for clients that have certain restrictions and/or specific investment requests. The third level includes alternative investments/recommendations that require additional suitability considerations, such as private funds and securities-backed loan arrangements, or other higher risk / less liquid investments.

Firm representatives can only select investments to invest in for or recommend to clients that have been approved by the Investment Committee.

When providing clients with Wealth Management Services, the Firm prepares an evaluation of each client's economic situation, given the client provides us with this information. The Firm pays particular attention to the amount and timing of all expected cash flows (such as education and living expenses, pension and social security income, and charitable and family gifting). Once these cash flows have been estimated, the Firm establishes a cash flow timeline. The Firm uses this timeline to determine the amount and frequency in which clients will need to withdraw from their investments. The cash flow timeline is a primary factor in determining the Firm's recommendations for the allocation and investment of client funds. The Firm also assesses how investments may perform under various conditions and risks such as high inflation/decline of the US dollar, rising interest rates and market volatility.

### Use of Leveraged ETFs

Leveraged ETFs that routinely utilize derivatives and debt to intensify returns are often used as a vehicle for an investor who wants to obtain magnified exposure to an asset class or sector. These investments are inherently more volatile than similar investments that do not use leverage. Returns, whether positive or negative, will be amplified in a levered investment. When the markets experience a meaningful price decline, levered investments will go through a period of amplified negative returns. This makes this kind of investment unsuitable to hold on a long-term basis or indefinitely. In addition, because of certain characteristics of leveraged ETFs, these funds are subject to larger potential losses than gains.

Exencial does not include levered ETFs as part of its recommended model asset allocation portfolios. However, the Firm has in the past recommended and purchased leveraged ETFs for clients and will do so in the future upon client request and so long as we have determined that the investment would be suitable for the client. Clients who wish to obtain leveraged ETFs should understand the extra risks and costs involved, so it is important to read the respective prospectus and statement of additional information in order to be fully aware of the risks surrounding these investments.

In addition, the SEC issued an Investor Bulletin that provides further details (see <https://www.sec.gov/investor/pubs/leveragedetfs-alert.htm>).

### Alternative Investments

The private funds in which certain clients invest pursue investment processes and strategies that generally are considered risky. The processes and strategies are disclosed in each private fund's offering documents and can include, but are not limited to hedging, leverage, short sales, derivatives, real estate investments, and other non-liquid investments. Such strategies and investments carry risks, including the risk of total loss of principal. Also, each private fund investment has varying degrees of illiquidity depending on the type of fund and its underlining investments, which are outlined in each fund's offering documents.

Private funds often impose performance-based fees or incentive allocations payable to the fund manager or general partner. Such performance-based fee/incentive allocation structures create an incentive for the managers of the private funds to make investments that are riskier or more speculative than would be the case in the absence of a performance-based fee/incentive allocation structure. Additionally, the performance-based fee structure could also cause the portfolio managers responsible for the private funds to devote a disproportionate amount of time to the management of the private funds, and compensation may be larger than it otherwise would have been because the fee/incentive allocation will be based on account performance instead of a percentage of assets under management.

In addition, certain private funds are more illiquid than others, meaning that an investor's investment can be "locked up" for a defined period of time or for the life of the private fund. The illiquidity of each fund depends on a few factors, including, but not limited to, the type and liquidity of the fund's underlying investments.

Due to the risks outlined above, it is important for investors to read a private fund's offering documents fully before investing. With the elevated risks of private funds, often investors must meet the definition of an accredited investor or qualified purchaser.

## Options

From time to time, Exencial recommends options strategies to accredited investors, as referenced above. These strategies include cash secured put option writing as well as covered call option writing.

Below are some of the main risks associated with investing in options:

- For stock options, the profit or loss of the option is determined by the performance of the underlining security.
- When selling options there is a risk that the underlining stock price may change significantly, which can negatively impact option strategies.
- When writing covered call options, there can be times when the underlying stock is “called” (call option contract exercised or assigned) by the investor that purchased the call option. When this happens, the client would be required to sell the underlying security to the investor, calling the stock at the pre-determined (exercise) price. This could result in a loss to the client depending on the purchase price of the security.
- Writing cash secured put options carries the risk that the client could end up having to purchase the underlining stock at price that this higher than the stock’s current trading price.
- Clients are usually required to open a margin account in order to invest in options, which carries additional risks and result in margin interest costs to the client.
- Option positions can be adversely affected by company specific issues (the issuer of the underlying security) which include but are not limited to bankruptcy, insolvency, failing to file with regulatory bodies, being delisted, having trading halted or suspended, corporate reorganizations, asset sales, spin offs, stock splits, mergers and acquisitions. In addition, market related actions, political issues, and economic issues can adversely affect the option market. These factors could restrict, halt, suspend, or terminate option positions written (sold) or purchased, which would prevent us from an ability to act or react to any of these conditions.
- Changes in value of the option may not correlate with the underlying security, and the account could lose money.

To understand the basics of option investment, please review the SEC Investor Bulletin at <https://www.investor.gov/introduction-investing/general-resources/news-alerts/alerts-bulletins/investor-bulletins-63>. Options involve risks that are not suitable for all clients. Therefore, a client should also read the option disclosure document, “Characteristics and Risks of Standardized Options”, which can be obtained at [www.optionsclearing.com](http://www.optionsclearing.com), or by calling 1-888-OPTIONS, or by contacting your broker/custodian.

## Monitoring and Rebalancing

Exencial regularly monitors client allocations to determine if any changes are necessary. Rebalancing generally occurs when a particular investment or allocation weighting grows above or falls below an acceptable “band.” For those clients who engage the Firm for



consulting services for monies held elsewhere, the Firm may recommend rebalancing, but will not have the capability to enact the rebalancing.

The Firm manages and rebalances accounts considering tax consequences however tax implications are not a primary driver of investment decisions. The Firm recommends holding investments in the type of account (IRA or taxable account) that is most practical from a long-term tax perspective in an attempt to achieve the highest after-tax return.

### Separate Account Managers

The Firm evaluates a variety of information about SAMs, which include the SAMs' public disclosure documents, materials supplied by the SAMs themselves and other third-party analyses it believes are reputable. To the extent possible, the Firm seeks to assess the SAMs' investment strategies, past performance and risk results in relation to its clients' individual portfolio allocations and risk exposure. The Firm also takes into consideration each SAM's management style, returns, reputation, financial strength, reporting, pricing, and research capabilities, among other factors.

### Third Party Consultants

Exencial has an arrangement in place with a third-party investment adviser, wherein the third-party adviser provides non-discretionary investment consulting services to the Firm. The consulting services include, but are not limited to receiving:

- Recommendations on: (i) approved investment managers, (ii) asset allocation models, and (iii) certain investment products and private funds.
- Various research and product specific publications and marketing materials; and
- Access to the investment team and due diligence team.

Exencial utilizes these services as part of its investment management process; however, the third-party consultant usually does not have direct contact with any Exencial clients. The fees for these services are paid by Exencial, not our clients.

### **Risk of Loss**

An investment of any kind involves risks, including the loss of principal and/or purchasing power. The Firm mainly utilizes open-ended mutual funds, individual stocks and bonds and ETFs in managed portfolios, although the Firm also uses other investment vehicles from time to time, including but not limited to use of SAMs, closed-end funds and Exchange Traded Notes (ETNs), and private funds. Each investment has its own unique set of risks including the risk of loss of principal or selling an investment at a price lower than the price at which it was purchased.

Mutual funds, ETFs, ETNs, and SAMs carry internal expenses which make them unable to exactly match the returns of the underlying issues on an aggregate basis. Individual securities contain market, sector, country, regulatory, and business risk. Volatile markets may exaggerate these risks for any security or class of securities.

Clients should be aware that there is a risk of loss or depreciation to the value of the client's account, which clients should be prepared to bear. There can be no assurance that the client's investment objectives will be obtained and no inference to the contrary should be made.

Clients should know that volatility from investing will occur, and that all investing is subject to risks. The Firm provides no assurance that any investment product (i.e., mutual funds, ETFs, annuities, private funds etc.) will achieve its investment objective or that any of the Firm's investment strategies will be profitable. Past performance of investments is no guarantee of future results.

### Market and Other Risks

The client understands that investment recommendations made for the account by the Firm are subject to various market, currency, economic, political, and business risks. These risks include, but are not limited to price declines and volatility, potential illiquidity, interest rate and inflation risks, and default risk. Exencial Wealth Advisors does not guarantee the future performance of the account or any specific level of performance, the success of any investment recommendations that the Firm may use, or the success of the Firm's overall management of the account or any security bought or sold for the client's account. The Firm's primary measurement for suitability is risk based on concentration, timing, and depletion.

Quarterly reports track volatility and confirm that clients are not in investments that are not appropriate for their circumstance or risk tolerance. Secondly, the Firm will monitor whether client portfolios are out of balance or not in line with the recommended structure or model for investments.

Concentration risks also include a focus on particular asset classes, industries or types of investments that are subject to greater risks of adverse developments more so than a strategy that is more broadly divided across a wider variety of investments.

Concentration risk is a primary risk investor's face. Portfolios that are concentrated to more than 5% in any individual company are considered to have concentration risk. A level above 10% is heightened concentration risk and is not recommended.

Liquidity timing risk, the risk of having to sell an investment at a loss to raise cash, is a primary risk for investors. While The Firm attempts to manage timing risk and other risks in portfolios, there can be no assurance that these risks will not have an adverse effect on client balances, especially over short time periods.

Depletion risk is the risk of running out of money. The realization of this risk greatly reduces quality of life a client is able to live due to their assets being depleted. This is one of the more harmful risks that can be managed and mitigated by focusing on more than investments, but also planning.

Additional risks include:

- **Market Risk:** The risk that investment returns will be affected by changes in the overall level of the stock market. When the stock market as a whole increases or decreases; virtually all stocks are affected to some degree.
- **Equity Risk:** Historically, the equity markets have moved in cycles, and the value of equity securities can fluctuate significantly from day-to-day. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments. The prices of securities issued by such companies can suffer a decline in response. These factors contribute to price volatility.

- **Credit Risk**: The risk that principal and/or interest on a fixed income investment will not be paid in a timely manner or in full due to changes in the financial condition of the issuer. Generally, the higher the perceived credit risk, the higher the rate of interest investors will receive on their investment.
- **Interest Rate Risk**: The risk that the value of an interest-bearing investment will change due to changes in the general level of interest rates in the market. The market value of a bond fluctuates inversely to the change in interest rates; that is, as interest rates rise, bond prices fall and vice versa. Interest rate risk is commonly measured by a bond's duration, the greater a bond's duration, the greater the impact on price of a change in interest rates. Investors can incur a gain or loss from bonds sold prior to the final maturity date. Many bonds are rated by a third party Nationally Recognized Statistical Rating Organization (NRSRO), for example, Moody's Investor Services or Standard & Poor's Inc. While ratings may assist investors to determine the creditworthiness of the issuer, they are not a guarantee of performance. U.S. Treasury bills, notes and bonds are guaranteed by the full faith and credit of the United States and therefore are generally deemed to carry virtually no risk of default.
- **Prepayment Risk**: Some types of bonds are subject to prepayment risk. Similar to call risk, prepayment risk is the risk that the issuer of a security will repay principal prior to the bond's maturity date, thereby changing the expected payment schedule of the bonds. Prepayment risk is particularly prevalent in the mortgage-backed bond market, where a drop in interest rates can trigger a refinancing wave. When investors in a bond comprised of the underlying pool of mortgages receives his or her principal back sooner than expected, they may be forced to reinvest at prevailing, lower rates.
- **Reinvestment Rate Risk**: The risk incurred when an investment's income is reinvested at a lower rate than the rate that existed at the time the original investment was made. This risk is most prevalent when interest rates fall.
- **Purchasing Power Risk (Inflation Risk)**: The risk that inflation will affect the return of an investment in real dollars. In other words, the amount of goods that one dollar will purchase decreases with time. Investments that have low returns, such as savings accounts, are not likely to keep up with inflation. Investments with fixed returns, such as bonds, will decrease in value because their purchasing value will decrease with inflation.
- **Business Risk**: The risk associated with a particular industry or firm. These are factors that affect the industry or firm, but do not affect the whole market. They include government regulations, management competency, or local or regional economic factors.
- **Financial Risk**: The risk associated with the mix of debt and equity used to finance a company. The greater the financial leverage, the greater the financial risk.
- **Currency Risk (Exchange Rate Risk)**: The risk that a change in the value of a foreign currency relative to the U.S. dollar will negatively affect a U.S. investor's return.
- **Foreign Risk**: Investments in foreign securities pose special risks, including currency fluctuation and political risks, and such investments can be more volatile than that of a U.S. only investment. The risks are generally intensified for investments in emerging markets.

- **Political and Legislative Risk:** Companies face a complex set of laws and circumstances in each country in which they operate. The political and legal environment can change rapidly and without warning, with significant impact, especially for companies operating outside of the United States or those companies who conduct a substantial amount of their business outside of the United States.
- **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. Alternative investments carry a higher level of illiquidity risk.
- **Margin Risk:** In addition to the information on margin accounts listed in Item 4 above, there are a number of risks that clients need to consider before deciding to open a margin account. These risks include, but are not limited to the following:
  - An owner of a margin account can lose more assets than deposited. A decline in the value of securities that are purchased on margin usually requires the owner to provide additional monies to the account to avoid the forced sale of those securities or other securities in the margin account.
  - The brokerage firm can force the sale of securities in a margin account. If the equity in the account falls below the maintenance margin requirements under the law—or the brokerage firm’s higher "house" requirements—the brokerage firm can sell the securities in the margin account to cover the margin deficiency. The owner would be responsible for any short fall in the account after such a sale.
  - The brokerage firm can sell securities in the margin account without contacting the owner. However, as a matter of good customer relations, most brokerage firms will attempt to notify their customers of margin calls even though they are not required to do so.
  - An owner of a margin account is not entitled to an extension of time on a margin call. While an extension of time to meet initial margin requirements may be granted by the brokerage firm under certain conditions, they are not required to provide any extension. In addition, they also are not required to provide an extension of time to meet a maintenance margin call.
- **Leverage Risk:** Returns, whether positive or negative, will be amplified in a levered investment, and the leverage itself has a cost which affects real return. When the markets experience a meaningful price decline, levered investments will go through a period of amplified negative returns. This makes levered investments unsuitable to hold on a long-term basis or indefinitely. Borrowing in Alternative Investments is often higher than in traditional publicly traded stocks, bonds, mutual funds, and ETFs making them more susceptible to negative impacts of Leverage Risk.
- **Transparency Risk:** The risk incurred when the current holdings of an investment and the prices of its internal holdings differing because they are less frequently communicated or updated. Regulatory and filing requirements may be less stringent for certain alternative funds and structures. Alternative funds often provide lower

transparency as to their holdings, assets, expenses, and returns at any point in time.

## ITEM 9: DISCIPLINARY INFORMATION

The Firm is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or integrity of management.

Exencial is including the following disclosure regarding three of its investment adviser representatives:

Mr. Poudrier, who is an investment adviser representative of Exencial, entered into a Stipulation and Consent Agreement with the State of Florida Office of Financial Regulation which found that he rendered investment advice from Florida without being appropriately registered by the Office. Exencial investigated and determined this was due to an administrative error and concluded that no willful misconduct had occurred. Please refer to Exencial's Form ADV Part 1 for further details, which can be obtained at <https://adviserinfo.sec.gov/firm/summary/130475>.

In 2015, when Mr. Christopher J. Brown, who is an investment adviser representative of Exencial, was working at Investment Professionals, Inc., a client alleged that the money she had in her account had not been invested properly for over a year. She had engaged Mr. Brown to invest the funds from her 401k plan into a variable annuity, which Mr. Brown said was because the client had not completed the paperwork required by the insurance company. Investment Professionals, Inc. paid a settlement to the client for \$5834.83. Further detail regarding this complaint is outlined in Mr. Brown's IAPD Report, which can be found at <https://adviserinfo.sec.gov>.

## ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

This item requires investment advisers to disclose certain financial industry activities and affiliations.

### **First United Partnership**

As outlined in Item 4, First United formed a partnership with Exencial in June 2021 through the purchase of a minority interest in Exencial and then expanded its ownership to 25% in June 2022. Through a series of repurchases and new Exencial units being issued in conjunction with acquisitions, First United's ownership is now approximately 20%. As part of this partnership, Exencial created a Board of Directors ("Board") for the purpose of corporate governance. The Board's directors are the "Elected Managers" under Exencial's Operating Agreement, which include Exencial's Chief Executive Officer, the Chief Operations Officer (who also serves as the Chief Compliance Officer), , one senior officer from First United, and one person not affiliated with either firm.

The partnership allows Exencial to provide clients with access to First United's personal banking, commercial lending, insurance, and mortgage services. Similarly, Exencial's comprehensive wealth management services are made available to First United clients. Due to the ownership interest, a conflict of interest exists since Exencial will receive a

benefit by way of management fees when a First United client becomes a client of Exencial. First United also will receive an indirect benefit when this happens, since it has an ownership in the Firm and will receive remuneration in the form of membership distributions in accordance with Exencial's Operating Agreement. Importantly, neither Exencial clients nor First United clients are required to use the services of Exencial or First United and are free at any time to select any investment advisory firm or bank of their choosing.

### **Acquiring Certain Third-Party Registered Investment Advisory Firms**

From time to time, Exencial acquires the assets of unaffiliated third-party investment advisory firms. The asset purchase amounts currently range from approximately \$200 million to \$870 million. These acquisitions allow Exencial to add to its pool of very talented personnel, and in some cases give the Firm the ability to expand its service offerings and office locations.

An acquisition also can create one or more conflicts depending on the arrangement. For example, Exencial has in the past, and can in the future, honor fee arrangements that the acquired firm has in place with its clients, which include a lower minimum fee, a management fee that is lower than the then current fee being charged by Exencial, and/or billing terms that are more advantageous to those clients. In addition, clients are notified of the acquisitions and any disclosures regarding applicable material conflicts are provided.

### **Certified Public Accountant and Accounting Firm**

Certain of Firm's Supervised Persons are certified public accountants ("CPAs"). Exencial offers tax planning and tax preparation as part of the services available to Wealth Management, Financial Planning Consulting, and Executive Services clients. To the extent that a prospective client specifically requests only accounting advice and/or tax preparation services, the Firm generally recommends the services of its CPAs. The recommendation we make to use our CPAs creates a potential conflict of interest due to the fact that Exencial will receive compensation (fees for the services) should a prospective client agree to receive the tax services from our CPAs. However, prospective clients are not required to accept the recommendation and are free to obtain tax services elsewhere. The Firm's CPAs do not receive any additional compensation (other than salary and bonus) or incentives for the tax services provided.

### **Licensed Insurance Agents**

A number of the Firm's Supervised Persons are licensed insurance agents and depending on client needs, will offer certain insurance products on a fully disclosed commissionable basis. In addition, certain of these licensed insurance agents receive incentive compensation from the insurance companies depending on the amount of insurance sold. A conflict of interest exists to the extent that the Firm recommends the purchase of insurance products where the Firm and/or its Supervised Persons are entitled to insurance commissions or other additional compensation when clients purchase the insurance products.

Exencial works with an outside estate planning firm to assist Exencial in providing estate planning services to its ultra-high net worth clients. When a life insurance product is purchased by an ultra-high net worth client as part of their estate plan recommended by the outside estate planning firm, the commissions received will be split between Exencial and the outside estate

planning firm. The arrangement creates a conflict of interest as it gives both firms an incentive to recommend life insurance as part of a client's estate plan.

Please refer to the disclosures below under "Addressing Associated Conflicts" for further information on how Exencial mitigates the referenced conflicts.

### **Broker-Dealer Registrations**

Caleb Dillard, who is a Member and Elected Manager of Exencial and serves as the Chief Operations Officer and Chief Compliance Officer of the Firm, along with Matthew Weinheimer, Sr. Wealth Advisor are also registered representatives ("RRs") with Purshe Kaplan Sterling Investments ("PKS"), which is an unaffiliated registered broker-dealer and member of the Financial Industry Regulatory Authority ("FINRA"). As PKS RR, they work with PKS clients that are assigned to them, making investment recommendations to buy and sell various securities and/or investment products. There also can be times when a PKS RR recommends that an Exencial client open an account at PKS to implement certain recommendations.

Serving as PKS RRs is an outside business activity, which is performed under the trade name of "Parkstone Investments, LLC" ("Parkstone"). Parkstone is a limited liability company that is majority owned by Mr. Dillard and Mr. Weinheimer, as Class A share members (i.e., voting members). Exencial owns a minority interest as a Class B share member (i.e., non-voting member). Parkstone has entered into a cost-sharing agreement with Exencial, whereby Exencial provides non-securities-related services for the PKS RRs, which include but are not limited to marketing, compliance, human resources, payroll and benefits administration.

In performing services as PKS RRs, Mr. Dillard and Mr. Weinheimer are directly paid compensation by PKS. This compensation can vary depending on the type of investment and the amount invested by a PKS client and include, but not be limited to commissions on transactions, upfront and back-end sales loads, deferred redemption fees, and ongoing 12b-1 distribution fees.

Both the outside business activity and the compensation received create conflicts of interest. Please read the information below under "Addressing Associated Conflicts".

### **Addressing Associated Conflicts**

To address the above outlined conflicts, Exencial and its representatives will only make investment and account recommendations to clients that are believed to be in the client's best interest. In determining best interest, Exencial IARs have discussions with each client and gather detailed information on client goals and investment objectives, both at the beginning of the engagement and thereafter during the relationship. Clients are not required and are under no obligation to implement any recommendations made by Exencial and/or any of its representatives. Also, should a client decide to implement any such recommendations, the client is not required or obligated to implement any through Exencial, PKS, or any recommended third-party. Clients should understand that fees and commissions for comparable services vary, and lower fees may be obtained through a different advisory and/or brokerage firm.

Exencial also provides disclosures to its clients, mainly by delivery of this Disclosure Brochure and the Form ADV Part 2B for each of its adviser representatives

Notably, specific details of the outside business activities of Exencial representatives, including the amount of time spent and the compensation received by them from such outside business activities, including how much such compensation accounts for in relation to their annual

income is outlined in their Form ADV Part 2B – Disclosure Supplement, which is provided to all new clients. Also, a copy can be obtained by contacting us directly.

## **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **Code of Ethics**

The Firm has adopted a Code of Ethics which describes the general standards of conduct that the Firm expects of its Supervised Persons and focuses on three specific areas where Supervised Persons conduct has the potential to adversely affect the client: misuse of confidential information; personal securities trading and outside business activities. Failure to uphold the Code of Ethics can result in disciplinary sanctions, including termination with the Firm. Any client or prospective client may request a copy of the Firm's Code of Ethics which will be provided at no cost.

The following basic principles guide all aspects of the Firm's business and represent the minimum requirements to which the Firm expects Supervised Persons to adhere:

- Clients' interests come before the interests of the Firm and Supervised Persons.
- The Firm must fully disclose all material facts about conflicts of which it is aware between the Firm and its Supervised Persons' interests on the one hand and clients on the other.
- Supervised Persons must operate on the Firm's behalf and on their own behalf consistently with the Firm's disclosures and to manage the impacts of those conflicts.
- The Firm and its Supervised Persons must not take inappropriate advantage of their positions of trust with or responsibility to clients.
- The Firm and its Supervised Persons must always comply with all applicable securities laws.

### **Misuse of Nonpublic Information**

The Code of Ethics contains a policy against the use of nonpublic information in conducting business for the Firm. Supervised Persons may not convey nonpublic information nor depend upon it in placing personal or client securities trades.

### **Personal Securities Trading**

Supervised Persons are permitted to buy or sell securities that the Firm recommends to clients, including private funds, which creates a potential conflict of interest. To address such conflict, Exencial's Code of Ethics contains certain requirements with regard to personal trading by Supervised Persons. For example, each Supervised Person must obtain written preapproval before making certain investments such as purchases of initial public offerings and/or limited offerings (e.g., private funds). Also, no Supervised Person may trade in stock, bonds, or derivatives of companies with which the Firm has an Executive Services agreement.

Additionally, except under circumstances outlined below, when the Firm is purchasing or considering for purchase any security on behalf of a client, no Supervised Person may affect a transaction in a personal account in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when the Firm is selling or considering the sale of any security on behalf of a client, no Supervised Person



may affect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. Exceptions include: (a) transactions in: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds; and (b) when a Supervised Person is participating in an aggregated trade with clients and each participant receives the same average price. For further information on aggregated trades, please refer to Item 12 below.

Supervised Persons also are required to submit reports of personal securities trades on a quarterly basis, and securities holdings annually. These are reviewed by the Chief Compliance Officer to ensure compliance with the Firm's policies.

### **Outside Business Activities**

Supervised Persons are required to report any outside business activities generating revenue. If any are deemed to be in conflict with clients, such conflicts will be fully disclosed, or the Supervised Person may be directed to cease such activity. Supervised Persons may be directors of publicly traded entities only with prior approval of the Chief Compliance Officer.

## **ITEM 12: BROKERAGE PRACTICES**

The Firm generally recommends that clients utilize the brokerage and clearing services of Schwab Advisor Services™ ("Schwab"), Fidelity Institutional Wealth Services ("Fidelity"), Axos (formerly E\*Trade), and SEI for investment management accounts, although other custodians may also be used by the Firm.

As a fiduciary for clients, the Firm considers the following in evaluating custodians and best execution:

- Financial strength and stability
- Reputation
- Execution
- Pricing
- Research
- Competitive commission structure
- Range of mutual funds available
- Quality of services and reporting
- Information on the Internet
- Availability of service staff
- Accessibility of branches

### **Fidelity Custodian Arrangement**

The Firm has an arrangement with National Financial Services LLC, and Fidelity Brokerage Services LLC (together with all affiliates, "Fidelity") through which Fidelity provides Exencial Wealth Advisors with Fidelity's "platform" services. The platform services include, among others, brokerage, custodial, administrative support, record keeping and related services that are intended to support intermediaries like the Firm in conducting business and in serving the best interests of their clients but that benefit the Firm. Exencial Wealth Advisors is not affiliated with Fidelity.

Fidelity charges brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity enables the Firm to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Fidelity's commission rates are generally considered discounted from customary retail commission rates. However, the commissions and transaction fees charged by Fidelity may be higher or lower than those charged by other custodians and broker-dealers. As part of the arrangement, Fidelity also makes available to the Firm, at no additional charge, certain research, and brokerage services, including research services obtained by Fidelity directly from independent research companies, as selected by the Firm (within specified parameters). These research and brokerage services are used by Exencial Wealth Advisors to manage accounts for which the Firm has investment discretion. The Firm also receives additional services, which include services that do not directly benefit clients. As a result of receiving these services for no additional cost, the Firm has an incentive to continue to use or expand the use of Fidelity's services, which creates a conflict of interest.

### Schwab Custodian Arrangement

#### Client Custody and Brokerage Costs

For clients' accounts that Schwab maintains, Schwab is compensated by charging the client commissions or other fees on trades that it executes or that settle into the client's Schwab account. Schwab's commission rates applicable to client accounts were negotiated based on a commitment to maintain \$10 million of clients' assets at Schwab. This arrangement benefits clients utilizing Schwab because the overall commission rates a client pays may be lower than they would be if the Firm had not made the commitment. Certain trades (for example, mutual funds and ETFs) do not incur Schwab commissions or transaction fees. Schwab is also compensated by earning interest on the uninvested cash in your account in Schwab's Cash Features Program.

#### Products and Services Available to the Firm from Schwab

Schwab Advisor Services is Schwab's business serving independent investment advisory firms. They provide the Firm and clients custodied at Schwab 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 the Firm manage or administer Schwab custody clients' accounts while others help the Firm manage and grow its business. Schwab's support services are generally available on an unsolicited basis and at no charge to the Firm as long as we maintain the minimum asset commitment outlined above. Below is a more detailed description of Schwab's support 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 the Firm might not otherwise have access or that would require a significantly higher minimum initial investment by clients. Schwab's services described in this paragraph generally benefit the Firm's Schwab custodied client accounts.

#### Services that Do Not Directly Benefit Clients

Schwab also makes available to the Firm other products and services that benefit the Firm but do not directly benefit clients. These products and services assist the Firm in managing and

administering clients' accounts maintained at Schwab. They include investment research, both Schwab's own and that of third parties. Exencial Wealth Advisors can use this research to service all or some substantial number of clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- provide access to client account data (such as duplicate trade confirmations and account statements).
- facilitates trade execution and allocates aggregated trade orders for multiple client accounts.
- provides pricing and other market data;
- facilitate payment of our fees from our clients' accounts; and
- assists with back-office functions, recordkeeping, and client reporting.

#### Services that Generally Benefit Only the Firm

Schwab also offers other services intended to help the firm manage and further develop its business enterprise. These services include:

- educational conferences and events
- technology, compliance, legal, and business consulting
- publications and conferences on practice management and business succession
- access to employee benefits providers, human capital consultants and insurance providers
- Marketing consulting and support

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

#### *The Firm's Interest in Schwab and Fidelity Services*

The availability and provision of certain services from these custodians benefits the Firm because it does not have to produce or purchase them. This creates an incentive for the Firm to recommend that a client maintain their account with one of these custodians based on the Firm's interest in receiving the services that benefit the Firm's business rather than based on clients' interest. This is a conflict of interest. However, the Firm believes that our selection of these custodians as recommended custodians and brokers is in the best interests of its clients. It is primarily supported by the scope, quality and price of the services provided and not on the services that benefit only the Firm. In addition, as a fiduciary to our clients, Exencial is required to put our clients' interests ahead of our own. Also, to address the conflict, we provide disclosures regarding the conflict to clients, mainly through the delivery of this Disclosure Brochure. Please refer to Item 14 below for additional information on the benefits received by Exencial from these custodians and the associated conflicts of interest.

#### *Prime Brokerage Arrangements*

The Firm usually recommends that clients enter into a prime brokerage arrangement with their custodian. This arrangement allows the Firm to place a trade for a client's account with a different broker for execution and then the securities bought or the funds from the securities

sold are deposited (settled) into the client's custodian account. The Firm mainly does this when trading fixed income securities, and only when the Firm believes it will result in best execution.

Under these arrangements, the custodian usually charges a flat dollar amount for its services as custodian and "prime broker". These fees are in addition to the commissions or other compensation a client will pay the executing broker-dealer.

### Best Execution

For Wealth Management clients, the Firm generally has full discretion to place trades with or through any brokers it deems appropriate in order to obtain best execution. The Firm's general policy is to place client trades with their broker custodian (e.g., Fidelity, Schwab, or Axos (formerly E\*Trade) and the Firm will continue to do so as long as it believes that the custodian is providing the best overall deal for the client, and they remain competitive in relation to executions and the cost of each transaction. The exception to this policy is when trades are placed under the prime brokerage arrangement described above.

The Firm strives to achieve the best execution possible for client securities transactions, but this does not require the Firm to solicit competitive bids or seek the lowest available commission cost. In striving for best execution, the Firm considers whether the transaction represents the overall best qualitative execution, taking into consideration the full range of a broker-dealer's services, including among other things, the value of research provided, execution capability, commission rates, and responsiveness. The Firm is not required to negotiate "execution only" commission rates, thus the client may be deemed to be paying for research and related services (i.e., "soft dollars") provided by the broker/custodian which are included in the commission rate.

To monitor and review the Firm's best execution efforts, the Firm has a Brokerage Committee that periodically (and no less often than annually) evaluates the trading process and broker/custodians utilized. As part of the evaluation, the Brokerage Committee will consider the full range of services offered by the custodians and brokers, along with the conflicts applicable to the arrangements.

### Trade Correction Policy

The Firm has procedures in place to limit any trade errors by the Firm. Where trade errors do occur, however, corrections are submitted to client custodians to restore the affected client to the condition he/she expects to be in, which can result in a gain or loss for the client. These trade corrections are processed out of trade correction accounts set up with our custodians creating either a gain or loss from each correction within in it. Some custodians absorb gains or losses generated under \$100.

Exencial has procedures in place so that gains from corrections are processed at a regular interval and paid out to a charity of either the Firm's choice or the custodian's choice. The Firm will compensate the client (either through a refund or fee reduction) for any additional trading costs due to the error (including the erroneous trade and costs to fix the trade, but not the amount that client would have paid for the proper trade). The Firm believes that this process fully restores the client to the condition they would have been had the trade error not occurred.

The Firm believes that this policy is in the best interest of clients. The Firm does not receive any kind of financial compensation from the receiving charity to entice more trade corrections.

### Separate Account Managers (SAMs)

Each SAM selected for managing a portion of a client's assets is provided with trading authority over those assets through the applicable agreements. SAMs, like Exencial, have a fiduciary duty to the Exencial client to seek best execution on the trades placed on the client's behalf.

The Form ADV Part 2A for each SAM outlines, among other things, the SAM's brokerage and best execution procedures. This document is provided to each client utilizing a SAM and it is important for clients to read the document to fully understand the SAM's trading practices, including any associated conflicts.

### Wrap Program Trades

Exencial places transactions for Wrap Clients through the Wrap Sponsor. The main reason for this mandate is because the brokerage costs (e.g., commissions etc.) for each transaction are included in the full Wrap Fee that the Wrap Client pays to the Wrap Sponsor. If Exencial were to trade with a broker other than the Wrap Sponsor, the Wrap Client would incur an additional fee. Wrap Clients should be aware that this type of "directed brokerage" arrangement could result in a Wrap Client receiving terms for certain trades that are less favorable in some respects than our non-wrap clients whose trades are not executed through the Wrap Sponsor.

### **Research, Software and Other Soft-Dollar Benefits**

Consistent with obtaining best execution, the Firm can direct brokerage transactions to certain broker-dealers in return for investment research products and/or services which assist Exencial Wealth Advisors in its investment decision-making process. This practice is commonly referred to as "soft dollars". The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because the Firm does not have to produce or pay for the products or services, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio.

Section 28(e) of the Securities Exchange Act of 1934 ("Section 28(e)") generally allows investment advisers to use client commissions to pay for certain research and brokerage products and services under certain circumstances without breaching their fiduciary duties to clients. For these purposes, "research" means services or products used to provide lawful and appropriate assistance to the Firm in making investment decisions for its clients. "Brokerage" services and products are those used to effect securities transactions for clients or to assist in effecting those transactions.

Research and other products and services purchased with soft dollars will generally be used to service all of the Firm's clients, but brokerage commissions/transaction costs paid by one client can be used to pay for research that is not used in managing that client's portfolio, as permitted by Section 28(e). In other words, there can be certain client accounts that benefit from the research services, which did not make the payment of commissions to the broker-dealer providing the services.

Brokerage services obtained with soft dollars can include, for example, quotation and communication equipment and services, other order management systems that provide trading software or provide connectivity to such software, trade analysis software, on-line pricing services, communication services relating to execution, clearing and settlement and message

services used to transmit orders.

Research and related services furnished by brokers can include, but are not limited to, written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; financial publications; recommendations as to specific securities; portfolio evaluation services; financial database software and services; computerized news, pricing and statistical services; and discussions with research personnel, along with hardware, software, data bases and other technical and telecommunication services and equipment utilized in the investment management process. Research received by the Firm under such soft dollar arrangements can include both proprietary research (created or developed by the broker-dealer) and research created or developed by a third party.

The Firm has entered into a soft dollar arrangement with Schwab and as of December 2023 receives the following research products:

Morningstar, Inc.

Exencial receives soft dollar credits based on a 3 to 1 ratio applied to eligible mutual fund transactions and is subject to a \$2,500 maximum.

As outlined above in this section, the Firm receives certain services and benefits from Schwab and Fidelity, without cost to the Firm, when client's custody their managed account assets with these custodians.

In fulfilling its fiduciary duties to its clients, the Firm endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the Firm's receipt of economic benefits from a custodian or broker creates a conflict of interest since these benefits can influence the Firm's choice of custodian to recommend and/or broker to trade with over others that do not furnish similar services and benefits.

In addition to the services and benefits described above, the Firm receives certain soft dollar benefits in the form of research from some of the executing broker-dealers that it engages to execute securities transactions on behalf of clients under the prime brokerage arrangements.

The Firm's Brokerage Committee monitors and reviews the Firm's soft dollar arrangements to help ensure they continue to be in line with the requirements of Section 28(e).

### **Trade Aggregation, Rotation, and Allocation**

Transactions for each client generally will be affected independently unless the Firm decides to purchase or sell the same securities for several clients at approximately the same time. When this occurs and the Firm believes it to be in the best interest of clients, the Firm will combine such trade orders into one or more "block" trades in an effort to obtain best execution. Client trades are aggregated into a block trade by executing broker (i.e., trade group), so there are times when more than one block trade is created for the purchase or sale of the same security. There also are times when one or more Supervised Persons want to purchase or sell the same security as clients at the same time. When that occurs, such transactions are allowed to be included in a block trade.

This aggregation of trades and the placement of such trades can give rise to potential or actual conflicts of interest among the accounts for whom the security purchase or sale is appropriate, and among the subset of those accounts actually participating in a block trade,

especially if a block trade order results in a partial fill. In order to address these conflicts, Exencial has adopted applicable policies and procedures, with the goal of providing an objective and equitable method so that all clients are treated fairly. Below is a summary of Exencial's policies:

- a. Exencial will only aggregate trades when it believes that such aggregations are consistent with its duty to seek best execution.
- b. Exencial will strive to ensure that no single participating account in the block trade would be favored over any other participating account;
- c. Exencial uses a trade rotation process when placing block trades to help ensure no trade group receives placement priority over other trade groups;
- d. Each client that participates in a block trade will receive the average weighted executed share price obtained for that block trade; and
- e. Partial fills of any block trade will be allocated on a pro rata basis among participating clients, unless such allocation is not appropriate for such clients. If that occurs, the Firm's Chief Investment Officer will determine allocation based on various factors, such as cash in accounts, size of client order, and liquidity of the security.

### **Allocation of Investment Opportunities in Private Funds**

The Firm recommends investments in private funds to certain qualifying clients. Mostly, these types of investments are available only to a limited number of qualifying investors. Private funds fall under the definition of "limited offerings" since they only accept a limited amount of funds for investment.

When determining which clients should receive a recommendation to invest in a fund, the Firm considers a number of factors, including but not limited to a client's sophistication, risk tolerances and qualifications, investment objectives, and the amount of available assets in client accounts. As a fiduciary, the Firm must allocate these investment opportunities in a fair and balanced manner. However, given the differing factors considered, the allocation of investment opportunities in private funds to clients is mainly subjective and not all qualifying clients will be provided an investment opportunity. Additionally, there are times when one or more of the Firm's employees may invest in a private fund that is recommended to clients.

When this occurs, a conflict exists due to the fact the fund only accepts a limited amount of assets. To address the conflict, all employees looking to invest in a private fund offering are required to obtain prior written approval from the CCO. If the private fund is over-subscribed, allocation of the fund to clients and employees will be made on a pro-rata basis.

### **Directed Brokerage**

Clients may not request that trades be enacted through a specific broker-dealer. The Firm generally requires clients to use one of the Firm's recommended broker-dealers as account custodian. Not all advisors require their clients to use a particular custodian or broker-dealer. Some clients may currently have account custodians other than those recommended by the Firm and have been reminded that the Firm is unable to negotiate commissions or include trades in these accounts in any aggregated or block trades. It is possible, therefore, that these clients directing trades or custodial relationships may receive worse executions, higher commissions, and/or worse prices than other clients of the Firm.

## **ITEM 13: REVIEW OF ACCOUNTS**

For clients receiving Wealth Management Services, the Firm monitors those client portfolios as part of an ongoing process. Account review meetings are offered to clients on at least an annual basis; however, generally the Firm's representatives meet with clients two to four times per year on average. Additional reviews can be triggered by events such as a change in a client's financial position or investment objective, unusual market or economic circumstances or other unforeseen events. For clients receiving Executive Services, the Firm conducts regular reviews which will depend upon the services being provided and the client's needs. For clients receiving Financial Planning Consulting Services, reviews are conducted on an "as needed" basis. All client reviews are conducted by one of the Firm's investment adviser representatives. Clients are encouraged to keep the Firm informed of changes in their financial status or in their needs, goals, objectives, risk appetite or other factors related to their investments.

Unless otherwise agreed upon, clients are provided with transaction confirmations and account statements directly from the custodian of their accounts. Wealth Management Services clients can also receive account reports directly from Exencial Wealth Advisors. These can include an inventory of account holdings as well as investment performance.

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

As discussed more fully under Item 12, the Firm enters into "soft dollar" arrangements whereby brokerage transactions are directed to certain broker-dealers in return for investment research products and/or services which assist the Firm in its investment decision-making process. The receipt of such services is deemed to be the receipt of an economic benefit by the Firm, and although customary, these arrangements give rise to potential conflicts of interest, including the incentive to allocate securities transactional business to broker-dealers based on the receipt of such benefits rather than on a client's interest in receiving most favorable execution. Additionally, the Firm generally recommends that clients use Fidelity or Schwab as their custodian. While there is no direct link between the investment advice given to clients and the Firm's recommendation to use Fidelity or Schwab as their custodian, certain benefits are received by the Firm due to these arrangements. Fidelity and Schwab make available to the Firm other products and services that benefit the Firm but do not benefit its clients' accounts. Some of these other products and services assist the Firm in managing and administering clients' accounts. While as a fiduciary, the Firm endeavors to act in its clients' best interests, these arrangements give the Firm an incentive to recommend that clients maintain their assets in accounts at Fidelity or Schwab due to the benefits and services received by the Firm. This creates a conflict of interest. Please refer to Item 12 above for further information.

##### *Client Referral Arrangements*

The Firm has entered into agreements with individuals and firms that refer/solicit clients for Exencial ("solicitors"). All such agreements are in writing and comply with the requirements under the Advisers Act. If a potential client is introduced to the Firm by a solicitor and becomes a client, Exencial pays the solicitor a fee in accordance with the requirements under the Advisers Act and any corresponding state securities law requirements. While the specific terms of each agreement may differ, generally the compensation paid to the solicitor is calculated using a varying percentage of the fees paid to the Firm by the referred client. In some cases, Exencial will pay a flat fee that is based on the amount of the referred client's managed assets. Any such solicitation fee shall be paid solely by the Firm and shall not result in any additional charge to the client. Each prospective client who is referred to Exencial under such an arrangement by a solicitor will receive a copy of the Firm's Form ADV Part 2A and written disclosures outlining the nature of the relationship between the solicitor and the Firm and the



amount of compensation that will be paid to the solicitor.

Affiliated solicitors (i.e., certain employees) of the Firm will disclose the nature of their relationship with the Firm to prospective clients at the time of the solicitation (usually via providing a business card) and will provide all prospective clients with a copy of the Firm's Form ADV Part 2A either before or at the time the client enters into an agreement with the Firm. These affiliated solicitors receive a salary and discretionary bonus. Neither the salary nor bonus is based on or tied to the number of clients that have been referred to Exencial or the types of investment products we recommend to clients.

Exencial receives client referrals from Zoe Financial, Inc through its participation in Zoe Advisor Network (ZAN). Zoe Financial, Inc is independent of and unaffiliated with Exencial and there is no employee relationship between them. Zoe Financial established the Zoe Advisor Network as a means of referring individuals and other investors seeking fiduciary personal investment management services or financial planning services to independent investment advisers. Zoe Financial does not supervise Exencial and has no responsibility for Exencial's management of client portfolios or Exencial's other advice or services. Exencial pays Zoe Financial an on-going fee for each successful client referral. This fee is usually a percentage of the advisory fee that the client pays to Exencial ("Solicitation Fee"). Exencial will not charge clients referred through Zoe Advisor Network any fees or costs higher than its standard fee schedule offered to its clients. For information regarding additional or other fees paid directly or indirectly to Zoe Financial Inc, please refer to the Zoe Financial Disclosure and Acknowledgement Form.

Exencial Wealth Advisors participates in the Fidelity Wealth Advisor Solutions® Program (the "WAS Program"), through which Exencial receives referrals from Fidelity Personal and Workplace Advisors LLC (FPWA), a registered investment adviser and Fidelity Investments company. Exencial is independent and not affiliated with FPWA or any Fidelity Investments company. FPWA does not supervise or control Exencial, and FPWA has no responsibility or oversight for Exencial's provision of investment management or other advisory services.

Under the WAS Program, FPWA acts as a solicitor for Exencial, and Exencial pays referral fees to FPWA for each referral received based on Exencial's assets under management attributable to each client referred by FPWA or members of each client's household. The WAS Program is designed to help investors find an independent investment advisor, and any referral from FPWA to Exencial does not constitute a recommendation or endorsement by FPWA of Exencial's particular investment management services or strategies. More specifically, Exencial pays the following amounts to FPWA for referrals: the sum of (i) an annual percentage of 0.10% of any and all assets in client accounts where such assets are identified as "fixed income" assets by FPWA and (ii) an annual percentage of 0.25% of all other assets held in client accounts. In addition, Exencial has agreed to pay FPWA a minimum annual fee amount in connection with its participation in the WAS Program. These referral fees are paid by Exencial and not the client. This creates a conflict of interest. Please refer to Item 12 above for further information.

To receive referrals from the WAS Program, Exencial must meet certain minimum participation criteria, but Exencial may have been selected for participation in the WAS Program as a result of its other business relationships with FPWA and its affiliates, including Fidelity Brokerage Services, LLC ("FBS"). As a result of its participation in the WAS Program, Exencial has a potential conflict of interest with respect to its decision to use certain affiliates of FPWA, including FBS, for execution, custody and clearing for certain client accounts, and

has an incentive to suggest the use of FBS and its affiliates to its advisory clients, whether or not those clients were referred to Exencial as part of the WAS Program. Under an agreement with FPWA, Exencial has agreed that it will not charge clients more than the standard range of advisory fees disclosed in its Form ADV 2A Brochure to cover solicitation fees paid to FPWA as part of the WAS Program. Pursuant to these arrangements, Exencial has agreed not to solicit clients to transfer their brokerage accounts from affiliates of FPWA or establish brokerage accounts at other custodians for referred clients other than when Exencial's fiduciary duties would so require. Exencial has agreed to pay FPWA a one-time fee equal to 0.75% of the assets in a client account that is transferred from FPWA's affiliates to another custodian; therefore, Exencial has an incentive to suggest that referred clients and their household members maintain custody of their accounts with affiliates of FPWA. This creates a conflict of interest. However, participation in the WAS Program does not limit Exencial's duty to select brokers on the basis of best execution.

#### *Economic Benefits Received by Third Parties*

Exencial receives an economic benefit from Schwab in the form of the support products and services it makes available to the Firm. In addition, Schwab has also agreed to pay for certain products and services for which Exencial would otherwise have to pay, including certain technology, research, marketing, operations, and compliance consulting. The receipt of the economic benefit is mainly contingent on Exencial maintaining a minimum amount of clients' assets in accounts at Schwab (see Item 12 above). Clients do not pay more for assets maintained at Schwab as a result of these arrangements. However, Exencial benefits from the arrangement because the cost of these services would otherwise be borne directly by us. This creates a conflict of interest since it incentivizes Exencial to recommend Schwab as custodian to clients.

From time to time, Exencial invests clients in Dimensional mutual funds ("DFA Funds"), which are generally available for investment only by institutional clients, clients of registered investment advisers, clients of financial institutions and a limited number of certain other investors as approved from time to time by Dimensional Fund Advisors ("Dimensional"). While the Firm does not receive or share in any of the fees charged by DFA Funds, Exencial does receive certain products and services from Dimensional at no cost. These include, but are not limited to, free admission to Dimensional conferences and workshops, newsletters and articles published by Dimensional, and access to a secure website that provides software that can be utilized to construct hypothetical portfolios and obtain reports based on such portfolios for use with prospects and clients. Since Exencial does not have to pay for any of these products and services, it creates a potential conflict of interest as it gives the Firm an incentive to recommend and/or invest clients in the DFA Funds.

To address the conflicts surrounding the economic benefits received by Exencial from Schwab and DFA Funds, the Firm has policies and procedures covering trading practices, including best execution, trade aggregation and allocation, and soft dollars. Importantly, as part of the Firm's fiduciary duty to clients, Exencial and its employees endeavor at all times to put the interests of the clients first and will only make investments for clients that the Firm believes are suitable and, in the client's, best interest.

Clients should consider these conflicts of interest when selecting a custodian. The products and services provided by Schwab, how they benefit Exencial, and the related conflicts of interest.

Also, as outlined in Items 4, 5 and 10 above, certain Exencial advisory representatives are also insurance agents for unaffiliated insurance companies and registered representatives of an

unaffiliated broker-dealer, and as such receive commissions and/or other compensation. This creates a conflict of interest, so please refer to the above items for further detail.

## **ITEM 15: CUSTODY**

Pursuant to Rule 206(4)-2 of the Advisers Act, Exencial is deemed to have custody of client funds because the Firm has the authority and ability to debit its fees directly from the accounts of those clients receiving advisory services from the Firm. In addition, we have certain clients that have signed a Standing Letter of Authorization (SLOA) that gives the Firm the authority to transfer funds to a third-party as directed by the client in the SLOA. This activity also gives the firm custody. Firms with custody must take the following steps:

1. Ensure clients' managed assets are maintained by a qualified custodian.
2. Have a reasonable belief, after due inquiry, that the qualified custodian will deliver an account statement directly to the client at least quarterly.
3. Confirm that account statements from the custodian contain all transactions that took place in the client's account during the period covered and reflect the deduction of advisory fees; and
4. Obtain a surprise audit by an independent accountant on the clients' accounts for which the advisory firm is deemed to have custody.

However, the rules governing the direct debit of client fees and SLOAs exempts Exencial from the surprise audit rules if certain conditions (in addition to steps 1 through 3 above) are met. Those conditions are as follows:

1. When debiting fees from client accounts, Exencial must receive written authorization from clients permitting advisory fees to be deducted from the client's account.
2. In the case of SLOAs, Exencial must: (i) confirm that the name and address of the third party is included in the SLOA, (ii) document that the third-party receiving the transfer is not related to the Firm, and (ii) ensure that certain requirements are being performed by the qualified custodian.

In addition to the above, Exencial also has custody for performing bill paying services for certain clients. For those accounts, we obtain annual surprise audits from an independent accounting firm to help ensure client assets remain safeguarded.

Clients receive statements on at least a quarterly basis directly from the qualified custodian that holds and maintains their assets. Clients are urged to carefully review all custodial statements and compare them to any reports and/or statements provided by the Firm.

## **ITEM 16: INVESTMENT DISCRETION**

The Firm is given the authority to exercise discretion on behalf of clients, which means it can affect transactions for the client without first having to seek the client's consent. The Firm is given this authority through a power of attorney included in the agreement between the Firm and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). The Firm takes discretion over the following activities:

- The securities to be purchased or sold.

- The amount of securities to be purchased or sold.
- When transactions are made; and
- The SAMs to be hired or fired.

## **ITEM 17: VOTING CLIENT SECURITIES**

In cases where the Firm is responsible to vote proxies on securities held in a client's account, the Firm has adopted policies and procedures in an effort to ensure that all votes are cast in the best interests of clients and that the proper documentation is maintained relating to how the proxies were voted. These policies and procedures are summarized as follows: The Firm utilizes the service of a non-affiliated third-party proxy voting vendor ("Proxy Vendor") to vote proxies on behalf of the Firm and our clients. The Proxy Vendor votes proxies based on their guidelines, which the Firm has reviewed to ensure the manner in which shares will be voted will be in the best interest of clients and the value of the investment. In addition, we can, in some cases, cause a proxy to be voted contrary to the Proxy Vendor guidelines if we determine that such action is in the best interests of clients. In cases where sole proxy voting authority rests with the Firm for plans governed by ERISA, proxies for such accounts will be voted in accordance with the guidelines unless outlined otherwise in the plan's governing documents and subject to the fiduciary responsibility standards of ERISA. If at any time, the Firm or the Proxy Vendor becomes aware of any type of potential or actual conflict of interest relating to a proxy proposal, such potential or actual conflict will be promptly reported to the Chief Compliance Officer. Conflicts will be handled in a number of ways depending on the type and materiality. The method selected will depend upon the facts and circumstances of each situation and the requirements of applicable laws and will always be handled in the client(s) best interest. The Firm may also choose not to vote proxies in certain situations or for certain accounts. For example, where a client has retained the right to vote the proxies or where a proxy is received for a client account that has been terminated. Also, we may be unable to vote proxies for a client that participates in a securities lending program.

A complete copy of our current Proxy Voting Policies & Procedures is available upon request. Clients may obtain information on how their proxies were voted by contacting the Firm at the principal office and place of business indicated on the cover page of this document.

## **ITEM 18: FINANCIAL INFORMATION**

There are no financial conditions that exist which might negatively affect the Firm's ability to provide services to its clients.

Since the Firm's Executive Service program fees are paid annually in advance and total more than \$1,200 per client, the Firm has included its audited balance sheet for the year ending December 31, 2023, in this Form ADV Part 2A. This audited balance sheet also has been provided to the Executive Services clients and is posted with this document on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

