

# NORTHEASTERN FINANCIAL CONSULTANTS, INC.

CRD # 120737

## **ADV Part 2A, Firm Brochure Dated: March 30, 2021**

Contact: Kristofer Harrison, Chief Compliance Officer  
3 Abington Executive Park, Suite 1  
S. Abington Township, Pennsylvania, 18411  
[www.nefci.com](http://www.nefci.com)

**This brochure provides information about the qualifications and business practices of Northeastern Financial Consultants, Inc. If you have any questions about the contents of this brochure, please contact us at (570) 586-1064 or at [kth@nefci.com](mailto:kth@nefci.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about Northeastern Financial Consultants, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**References herein to Northeastern Financial Consultants, Inc. as a "registered investment adviser" or any reference to being "registered" does not imply a certain level of skill or training.**

## **Item 2           Material Changes**

There have not been any material changes to Northeastern Financial Consultants' Form ADV 2A Disclosure Brochure since its last Other-than-Annual Amendment filing on July 7, 2020.

Although not material, the Firm has made disclosure changes, enhancements and additions at Items 4, 5, and 12 below.

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## Item 4            **Advisory Business**

- A. Northeastern Financial Consultants, Inc. (the “Registrant”) is a corporation formed in the Commonwealth of Pennsylvania on August 2, 1982. The Registrant became registered as an Investment Adviser Firm in October 1997. The Registrant is solely owned by Kristofer Harrison.
- B. As discussed below, the Registrant offers to its clients (individuals, business entities, pension and profit-sharing plans, trusts, estates and charitable organizations, etc.) investment advisory services, and, to the extent specifically requested by a client, financial planning and related consulting services.

### **INVESTMENT ADVISORY SERVICES**

The client can determine to engage the Registrant to provide non-discretionary investment advisory services on a *fee-only* basis.

Registrant’s annual investment advisory fee shall include investment advisory services, and, to the **extent specifically requested** by the client, financial planning and consulting services. In the event that the client requires extraordinary planning and/or consultation services (to be determined in the sole discretion of the Registrant), the Registrant may determine to charge for such additional services, the dollar amount of which shall be set forth in a separate written notice to the client. Prior to engaging the Registrant to provide investment advisory services, clients are generally required to enter into an *Investment Advisory Agreement* with the Registrant setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and any fees that are due from the client prior to Registrant commencing services.

The Registrant provides investment advisory services specific to the needs of each client. Before providing investment advisory services, an investment adviser representative will ascertain each client’s investment objectives. Thereafter, the Registrant will recommend that the client allocate investment assets consistent with the designated investment objectives. The Registrant primarily recommends that clients allocate investment assets among various individual equities (stocks), debt (bonds) and fixed income securities, mutual funds and/or exchange traded funds (“ETFs”) on a non-discretionary basis in accordance with the client’s designated investment objective(s). Once allocated, the Registrant provides ongoing monitoring and review of account performance, asset allocation and client investment objectives.

### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

The Registrant may be engaged to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone separate fee basis.

Prior to engaging the Registrant to provide planning or consulting services, clients are generally required to enter into a *Financial Planning and Consulting Agreement* with Registrant setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to Registrant commencing services. If requested by the client, Registrant may recommend the services of other professionals for implementation purposes, including, employees in their separate capacity. The client is under no obligation

to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. **Please Note:** Although one of Registrant's representatives, Kristofer Harrison, in his separate individual capacity is licensed as an attorney, Mr. Harrison does not provide legal services to any of Registrant's clients, and no corresponding attorney-client relationship is established. **Please Note:** If the client engages any recommended third party unaffiliated professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. At all times, the engaged licensed professional[s] (i.e. attorney, accountant, insurance agent, etc.), and **not** the Registrant, shall be responsible for the quality and competency of the services provided.

### **RETIREMENT CONSULTING**

The Registrant also provides non-discretionary pension consulting services to sponsors of retirement plans. In this capacity, Registrant assists sponsors of self-directed retirement plans with the selection and/or monitoring of investment alternatives (generally open-end mutual funds and/or exchange traded funds (ETFs)) from which plan participants shall choose in self-directing the investments for their individual plan retirement accounts. In addition, to the extent requested by the plan sponsor, the Registrant shall also provide participant education designed to assist participants in identifying the appropriate investment strategy for their retirement plan accounts. The terms and conditions of the engagement shall generally be set forth in a *Retirement Plan Consulting Agreement* between the Registrant and the plan sponsor. Personalized investment advice will not be provided to plan participants regarding their plan assets. However, plan participants who wish to engage the Registrant for individualized financial planning or consulting services regarding assets outside the scope of the qualified plan may do so by executing a separate written agreement, including separate fees and fee payment arrangements.

### **Miscellaneous**

**Limitations of Financial Planning and Non-Investment Consulting/Implementation Services.** To the extent requested by the client, the Registrant will generally provide financial planning and related consulting services regarding non-investment related matters, such as tax planning, insurance, etc. The Registrant will generally provide such consulting services inclusive of its advisory fee set forth at Item 5 below (exceptions may occur based upon assets under management, special projects, etc. for which the Registrant may charge a separate fee). **Please Note:** Registrant **does not** serve as an attorney, accountant or insurance agent, and no portion of our services should be construed as legal, accounting or insurance services. Accordingly, Firm **does not** prepare estate planning documents or tax returns, nor does it sell insurance products. To the extent requested by a client, we may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Registrant and/or its representatives. **Please Also Note:** If the client engages any recommended unaffiliated professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. At all times, the engaged licensed professional[s], i.e. attorney, accountant, insurance agent, etc., and **not** the Registrant, shall be responsible for the quality and competency of the services provided.

**Please Note: Non-Discretionary Service Limitations.** Clients that determine to engage the Registrant on a non-discretionary investment advisory basis **must be willing to accept** that the Registrant cannot effect any account transactions without obtaining prior consent to any such transaction(s) from the client. Thus, in the event Registrant would like to make a transaction for a client's account (including in the event of an individual holding or general market correction), and the client is unavailable, the Registrant will be unable to effect any account transactions (as it would for its discretionary clients) **without first obtaining the client's consent.**

**Sub-Advisory Engagements.** The Registrant may serve as a sub-advisor to unaffiliated registered investment advisors according to the terms and conditions of a written Sub-Advisory Agreement. With respect to its sub-advisory services, the unaffiliated investment advisors that engage the Registrant's sub-advisory services maintain both the initial and ongoing day-to-day relationship with the underlying client, including initial and ongoing determination of client suitability for the Registrant's designated investment strategies and/or programs. If the custodian/broker-dealer is determined by the unaffiliated investment adviser, Registrant will be unable to negotiate commissions and/or transaction costs, and/or seek better execution. As a result, clients of the unaffiliated investment adviser may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case through alternative clearing arrangements recommended by Registrant. It should be noted that higher transaction costs adversely impact account performance.

**Availability and Use of Mutual and Exchange Traded Funds:** Registrant utilizes mutual funds and exchange traded funds for its client portfolios. Most mutual funds and exchange traded funds are available directly to the public. Thus, a client or prospective client can obtain many of the funds that may be utilized by Registrant independent of engaging Registrant as an investment advisor. However, if a client or prospective client determines to do so, he/she will not receive Registrant's initial and ongoing investment advisory services with respect to management of the assets. **Please Note:** In addition to Registrant's investment advisory fee described below, and transaction and/or custodial fees discussed below, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses). **Adviser's Chief Compliance Officer, Kristofer Harrison, remains available to address any questions that a client or prospective client may have regarding the above.**

**Portfolio Activity.** Registrant has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, Registrant will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including, but not limited to, investment performance, fund manager tenure, style drift, account additions/withdrawals, and/or a change in the client's investment objective. Based upon these factors, there may be extended periods of time when Registrant determines that changes to a client's portfolio are neither necessary nor prudent. Of course, as indicated below, there can be no assurance that investment decisions made by Registrant will be profitable or equal any specific performance level(s). Clients nonetheless remain subject to the fees described in Item 5 below during periods of account inactivity.

**Cash Positions.** At any specific point in time, depending upon perceived or anticipated market conditions/events (there being **no guarantee** that such anticipated market conditions/events will occur), the Registrant may maintain cash positions for defensive purposes. In addition, while assets are maintained in cash, such amounts could miss market advances. All cash positions (money markets, etc.) shall be included as part of assets under management for purposes of calculating the Registrant’s advisory fee.

**Retirement Plan Rollovers–Conflict of Interest:** A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer’s plan, if permitted, (ii) roll over the assets to the new employer’s plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account (“IRA”), or (iv) cash out the account value (which could, depending upon the client’s age, result in adverse tax consequences). If the Registrant recommends that a client roll over their retirement plan assets into an account to be managed by the Registrant, such a recommendation creates a conflict of interest if the Registrant will earn an advisory fee on the rolled over assets. **No client is under any obligation to roll over retirement plan assets to an account managed by Registrant. The Registrant’s Chief Compliance Officer, Kristofer Harrison, remains available to address any questions that a client or prospective client may have regarding the conflict of interest presented by such rollover recommendation.**

**Client Obligations.** In performing its services, Registrant shall not be required to verify any information received from the client or from the client’s other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains their responsibility to promptly notify the Registrant if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising Registrant’s previous recommendations and/or services.

**Disclosure Statement.** A copy of the Registrant’s written Privacy Notice and Disclosure Brochure as set forth on Parts 2A and 2B of Form ADV shall be provided to each client or prospective client prior to the execution of the *Investment Advisory Agreement or Financial Planning and Consulting Agreement*. Any client who has not received a copy of Registrant’s written Brochure at least 48 hours prior to executing the *Investment Advisory Agreement* and/or *Financial Planning and Consulting Agreement* shall have five business days subsequent to executing the agreement to terminate the Registrant’s services without penalty.

- C. The Registrant shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client’s investment objective(s). Thereafter, the Registrant shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at any time, impose reasonable restrictions, in writing, on the Registrant’s services.
- D. The Registrant does not participate in a wrap fee program.
- E. As of December 31, 2020, the Registrant had \$58,220,423 in assets under management on a non-discretionary basis.

**Item 5 Fees and Compensation**

A.

**Investment Advisory Services**

If a client determines to engage the Registrant to provide non-discretionary investment advisory services, and, to the **extent specifically requested** by the client, financial planning and consulting services, on a *fee-only* basis, the Registrant’s annual investment advisory fee shall be based upon a percentage (%) of the market value and type of assets placed under the Registrant’s management (generally between 1.25% and 0.65%) as follows:

<u>Account size</u>	<u>Fee charged at*</u>
Amounts from \$1 up to \$999,999	1.25%
Amounts in excess of \$999,999 up to \$1,999,999	0.85%
Amounts in excess of \$1,999,999 up to \$2,999,999	0.65%
Amounts in excess of \$2,999,999	negotiable

\*Multiple accounts from the same investor will be summed to compute the blended fee rate.

Registrant, in its discretion, may charge a lesser investment advisory fee, charge a flat fee, waive its fee entirely, or charge fee on a different interval, based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, complexity of the engagement, anticipated services to be rendered, grandfathered fee schedules, employees and family members, courtesy accounts, competition, negotiations with client, etc.). **Please Note:** As result of the above, similarly situated clients could pay different fees. In addition, similar advisory services may be available from other investment advisers for similar or lower fees. **ANY QUESTIONS:** Registrant’s Chief Compliance Officer, Kristofer Harrison, remains available to address any questions that a client or prospective client may have regarding advisory fees.

Registrant is generally compensated for its investment management services on an annual basis. In the event that the fee is determined quarterly, in advance, based upon the market value of such assets on the last day of the previous quarter, the Registrant’s policy is to treat intra-quarter account additions and withdrawals equally, unless indicated to the contrary on the Registrant written Brochure and/or Investment Advisory Agreement executed by the client.

**FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

The Registrant may be engaged to provide comprehensive financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone negotiable fee basis.

For comprehensive financial planning services, there is a minimum fee of \$3,000 for the first year, with rates generally assessed as follows:

Client net worth	Fee Imposed

Up to \$1,000,000	\$750 plus 1% of earned income and .0035% of net worth
Greater than \$1,000,000 but less or equal to \$2,000,000	\$750 plus 1% of earned income and .0030% of net worth
Greater than \$2,000,000	\$750 plus 1% of earned income and .0025% of net worth

Clients that pay a fixed fee for financial planning and consulting services are typically required to pay one-half (1/2) of their financial planning fees in advance. The Registrant will bill clients for the remainder of the financial planning fee within the calendar year.

In addition, clients seeking more limited consulting services regarding investment related matters (such as analysis of specific securities, types of securities and markets) or non-investment related matters (such as estate planning, tax planning, insurance, etc.), may engage the Registrant on a negotiable hourly basis, between \$250 and \$500 per hour. Registrant anticipates that most financial planning and consulting engagements will be completed in six hours. However, before providing such services, Registrant will provide clients with an estimate of the hours needed to complete the engagement. Once the client and Registrant agree upon the scope and estimated price, clients shall pay one-half (1/2) of the lowest hourly estimate in advance. Clients shall be required to pay the balance upon receipt of the applicable plan or report.

#### **RETIREMENT CONSULTING**

The Registrant also provides pension consulting services, pursuant to which it assists sponsors of self-directed retirement plans with the selection and/or monitoring of investment alternatives (generally open-end mutual funds and/or exchange traded funds (ETFs)) from which plan participants shall choose in self-directing the investments for their individual plan retirement accounts. Registrant's retirement consulting fees are negotiable, but generally range from negotiable up to 1.00% of the market value of the plan assets, depending upon the level and scope of the service(s) required.

- B. Clients may elect to provide the Registrant with written authority to deduct its advisory fees from their custodial account. Both Registrant's *Investment Advisory Agreement* and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of the Registrant's investment advisory fee and to directly remit that advisory fee to the Registrant in compliance with regulatory procedures. The Registrant will provide custodian with written notice of the amount of the fee to be deducted from the client's account. In the limited event that the Registrant bills the client directly, payment is due upon receipt of the Registrant's invoice. Fees for asset management accounts at TD Ameritrade, PCS, and SEI are paid quarterly in arrears. Fixed financial planning fees are paid half in advance and the rest upon presentation of the plan. If a client cancels an asset management account at TD Ameritrade, PCS, or SEI, the Registrant shall bill and/or debit the client's account on a pro-rata basis fees owned at the time of termination. Fees charged to an asset management client will not be based on a share of capital gains or capital appreciation of client funds, or any portion of the client funds, in contravention of SEC Rule 205(a)(1). In addition to Registrant's investment advisory fee, brokerage commissions are charged for individual equity and fixed income securities transactions). In addition to Registrant's investment advisory fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund



expenses). The fees charged by the applicable broker-dealer/custodian, and the charges imposed at the fund level, are in addition to Registrant's investment advisory fees referenced in this Item 5.

- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, the Registrant shall generally recommend a broker-dealer/custodian for client investment management assets. Broker-dealers (not the Registrant) charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions).

In addition to Registrant's investment advisory fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. advisory fees and other fund expenses).

**Tradeaway/Prime Broker Fees.** In limited circumstances, if, in the reasonable determination of Registrant, it would be beneficial for the client, individual fixed income transactions may be effected through broker-dealers other than the account custodian, in which event, the client generally will incur both the fee (commission, mark-up/mark-down) charged by the executing broker-dealer and a separate "tradeaway" and/or prime broker fee charged by the account custodian (i.e., Schwab, Fidelity, TD Ameritrade, etc.). **ANY QUESTIONS: Our Chief Compliance Officer, Kristofer Harrison, remains available to address any questions that a client or prospective client may have regarding tradeaway arrangements.**

- D. Fees for asset management accounts at TD Ameritrade, PCS, and SEI are paid quarterly in arrears. Fixed financial planning fees are paid half in advance and the rest upon presentation of the plan. If a client cancels an asset management account at TD Ameritrade, PCS, or SEI, the Registrant shall bill and/or debit the client's account on a pro-rata basis fees owned at the time of termination. Fees charged to an asset management client will not be based on a share of capital gains or capital appreciation of client funds, or any portion of the client funds, in contravention of SEC Rule 205(a)(1).

Upon termination of the *Investment Advisory Agreement* by either party, the Registrant shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter or, upon termination, a pro-rated portion of the earned but unpaid advisory fee shall be due (as the case may be).

- E. Neither the Registrant, nor its representatives accept compensation from the sale of securities or other investment products.

## **Item 6 Performance-Based Fees and Side-by-Side Management**

Neither the Registrant nor any supervised person of the Registrant accepts performance-based fees.

## **Item 7 Types of Clients**

The Registrant's clients shall generally include individuals, business entities, pensions and profit-sharing plans, trusts, estates and charitable organizations. The Registrant generally requires a minimum asset level of \$250,000 in investable assets for investment advisory services. The Registrant generally does not require a first-year minimum fee when providing financial planning and consulting services. The Registrant, in its sole discretion, may charge a lesser investment advisory fee and/or waive or reduce its minimum asset requirement based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

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

- A. The Registrant may utilize the following methods of security analysis:
- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)

The Registrant may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)

**Please Note: Investment Risk.** Investing in securities involves risk of loss that clients should be prepared to bear, including the complete loss of principal investment. Past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by the Registrant) will be profitable or equal any specific performance level(s). Investment strategies such as asset allocation, diversification, or rebalancing do not assure or guarantee better performance and cannot eliminate the risk of investment losses. There is no guarantee that a portfolio employing these or any other strategy will outperform a portfolio that does not engage in such strategies. While asset values may increase and client account values could benefit as a result, it is also possible that asset values may decrease and client account values could suffer a loss.

- B. The Registrant's methods of analysis and investment strategies do not present any significant or unusual risks. However, every method of analysis has its own inherent risks. To perform an accurate market analysis the Registrant must have access to current/new market information. The Registrant has no control over the dissemination rate of market information; therefore, unbeknownst to the Registrant, certain analyses may be compiled with outdated market information, severely limiting the value of the Registrant's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

The Registrant's primary investment strategies - Long Term Purchases and Short-Term Purchases are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially

develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer-term investment strategy.

- C. Currently, the Registrant primarily recommends that clients allocate investment assets among various individual equity (stocks), debt (bonds) and fixed income securities, mutual funds and/or exchange traded funds (“ETFs”) on a non-discretionary basis in accordance with the client’s designated investment objective(s). Each type of security has its own unique set of risks associated with it.

As noted above, the Registrant utilizes a variety of investable instruments, all of which contain the risk of loss of capital. These instruments may be U.S. or non-U.S. individual stocks and bonds, pooled investment vehicles such as mutual funds or Exchange Traded Funds (ETFs), all of which contain the risk of loss of capital.

Transactions involve the risk of loss of capital and contain transaction costs associated with conducting trades and the settlement process as well as potential tax consequences. It is not the intent of the investment strategy or process to result in frequent trading of securities, however more frequent or shorter-term holding periods may occur if market conditions change quickly or valuations are altered unexpectedly. A client’s investment portfolio will fluctuate in value as market conditions change and the client could lose all or a portion of the value of the investment portfolio over short or long periods of time. The risks of investing in equity securities, fixed income securities and exchange traded funds include, but are not limited to:

Market Risk. The price of a security may drop in reaction to tangible and intangible events and conditions. This type of risk may be caused by external factors (such as economic or political factors), but may also be incurred because of a security’s specific underlying investments. Additionally, each security’s price can fluctuate based on market movement, which may or may not be due to the security’s operations or changes in its true value. For example, political, economic and social conditions may trigger market events which are temporarily negative, or temporarily positive.

Unsystematic Risk. Unsystematic risk is the company-specific or industry-specific risk in a portfolio that the investor bears. Unsystematic risk is typically addressed through diversification. However, as indicated above, diversification does not guarantee better performance and cannot eliminate the risk of investment losses.

Inflation Risk. When any type of inflation is present, a dollar at present value will not carry the same purchasing power as a dollar in the future, because that purchasing power erodes at the rate of inflation.

Reinvestment Risk. Future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate), which primarily relates to fixed income securities.

Value Investment Risk. Value stocks may perform differently from the market as a whole and following a value-oriented investment strategy may cause a portfolio to underperform growth stocks.

Growth Investment Risk. Prices of growth stocks tend to be higher in relation to their companies' earnings and may be more sensitive to market, political and economic developments than other stocks, making their prices more volatile.

Small Company Risk. Securities of small companies are often less liquid than those of large companies and this could make it difficult to sell a small company security at a desired time or price. As a result, small company stocks may fluctuate relatively more in price. In general, small capitalization companies are more vulnerable than larger companies to adverse business or economic developments and they may have more limited resources.

Equity Securities Risk. Investments in equity securities are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. These investor perceptions are based on various and unpredictable factors including: expectations regarding government, economic, monetary and fiscal policies; inflation and interest rates; economic expansion or contraction; global or regional political, economic and banking crises; and factors affecting specific industries, sectors or companies in which the Registrant invests on behalf of clients. The value of a client's investment portfolio and the corresponding investment return will fluctuate based upon changes in the value of its portfolio securities.

Fixed Income Securities Risks. Debt securities are subject to risks that include, but are not limited to:

Credit Risk. Issuers of fixed income securities may be unable to make principal and interest payments when they are due. Further, the securities could lose value because of a loss of confidence in the ability of the issuer to pay back debt. The degree of credit risk for a particular security may be reflected in its credit rating. Lower-rated fixed income securities involve greater credit risk, including the possibility of default or bankruptcy.

Interest Rate Risk. Fixed income securities and fixed income-based securities are subject to interest rate risk because the prices of fixed income securities tend to move in the opposite direction of interest rates. When interest rates rise, fixed income security prices tend to fall. When interest rates fall, fixed income security prices tend to rise. In general, fixed income securities with longer maturities are more sensitive to these price changes.

Prepayment Risk. Prepayment occurs when the issuer of a debt security repays principal prior to the security's maturity. During periods of declining interest rates, issuers may increase pre-payments of principal causing Registrant to invest in fixed income securities with lower yields thus reducing income generation. Similarly, during periods of increasing interest rates, issuers may decrease pre-payments of principal extending the duration of debt securities potentially to maturity. Fixed income securities with longer maturities are subject to greater price shifts as a result of interest rate changes. Also, if the Registrant is unable to liquidate lower yielding securities to take advantage of a higher interest rate environment, its ability to generate income on behalf of clients may be adversely affected. The potential impact of prepayment features on the price of a debt security can be difficult to predict and result in greater volatility.

Regulatory Risk. Changes in laws and regulations from any government can change the market value of companies subject to such regulations. Certain industries are more susceptible to government regulation. For example, changes in zoning, tax structure or laws may impact the return on investments.

Mutual Fund Risk. Mutual funds are operated by investment companies that raise money from shareholders and invests it in stocks, bonds, and/or other types of securities. Each fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. Mutual funds charge a separate management fee for their services, so the returns on mutual funds are reduced by the costs to manage the funds. While mutual funds generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market. Mutual funds that are sold through brokers are called load funds, and those sold to investors directly from the fund companies are called no-load funds. Mutual funds come in many varieties. Some invest aggressively for capital appreciation, while others are conservative and are designed to generate income for shareholders. In addition, the client's overall portfolio may be affected by losses of an underlying fund and the level of risk arising from the investment practices of an underlying fund (such as the use of derivatives).

Exchange Traded Funds Exchange Traded Funds (ETFs) are typically open-end investment companies that are bought and sold on a national securities exchange. When the Registrant invests a client's assets in an ETF, the client will bear additional expenses based on its pro rata share of the ETF's operating expenses, including the potential duplication of management fees. The risk of owning an ETF generally reflects the risks of owning the underlying securities it holds. Many ETFs seek to replicate a specific benchmark index. However, an ETF may not fully replicate the performance of its benchmark index for many reasons, including the temporary unavailability of certain index securities in the secondary market or discrepancies between the ETF and the index with respect to the weighting of securities or the number of stocks held. Lack of liquidity in an ETF could result in an ETF being more volatile than the underlying portfolio of securities it holds. In addition, because of ETF expenses, compared to owning the underlying securities directly, it may be more costly to own an ETF.

## **Item 9           Disciplinary Information**

The Registrant has not been the subject of any disciplinary actions.

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

- A. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. **Licensed Attorney.** One of Registrant's representatives, Kristofer Harrison, is licensed as an attorney in his separate individual capacity. However, Mr. Harrison does not provide legal services or hold himself out as providing legal services. Therefore, Mr. Harrison does not provide legal services to any of Registrant's clients, and no corresponding attorney-client relationship can be established.

- D. The Registrant does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

**Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

- A. The Registrant maintains an investment policy relative to personal securities transactions. This investment policy is part of Registrant’s overall Code of Ethics, which serves to establish a standard of business conduct for all of Registrant’s Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, the Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person associated with the Registrant.

- B. Neither the Registrant nor any related person of Registrant recommends, buys, or sells for client accounts, securities in which the Registrant or any related person of Registrant has a material financial interest.
- C. The Registrant and/or representatives of the Registrant *may* buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a conflict of interest. Practices such as “scalping” (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, “front-running” (i.e., personal trades executed prior to those of the Registrant’s clients) and other potentially abusive practices.

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant’s “Access Persons”. The Registrant’s securities transaction policy requires that an Access Person of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person’s current securities holdings at least once each twelve (12) month period thereafter on a date the Registrant selects; provided, however that at any time that the Registrant has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. The Registrant and/or representatives of the Registrant *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a conflict of interest. As indicated above in Item 11 C, the Registrant has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Registrant’s Access Persons.

## Item 12 Brokerage Practices

- A. In the event that the client requests that the Registrant recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct the Registrant to use a specific broker-dealer/custodian), Registrant generally recommends that investment management accounts be maintained at a broker-dealer. Prior to engaging Registrant to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with Registrant setting forth the terms and conditions under which Registrant shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/ custodian.
- B. Factors that Registrant considers in recommending any broker-dealer or custodian to clients, include historical relationship with Registrant, financial strength, reputation, execution capabilities, pricing, research, and service. Broker-dealers may charge transaction fees for effecting certain securities transactions (*See* Item 4 above). To the extent that a transaction fee will be payable by the client to broker-dealer or custodian, the transaction fee shall be in addition to Registrant's investment advisory fee referenced in Item 5 above.

Although the commissions and/or transaction fees paid by Registrant's clients shall comply with the Registrant's duty to seek best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Registrant determines, in good faith, that the commission/transaction fee is reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of broker-dealer services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Registrant's investment advisory fee. The Registrant's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

1. The Registrant participates in the TD Ameritrade Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. ("TD Ameritrade"), member FINRA/SIPC. TD Ameritrade is an independent and unaffiliated SEC-registered broker-dealer. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. The Registrant receives some benefits from TD Ameritrade through its participation in the program.

There is no direct link between Registrant's participation in the program and the investment advice it gives to its clients, although the Registrant receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Registrant's participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic

communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Registrant by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by Registrant's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit Registrant but may not benefit its client accounts. These products or services may assist the Registrant in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Registrant manage and further develop its business enterprise. The benefits received by the Registrant or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, Registrant endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by the Registrant or its related persons in and of itself creates a conflict of interest and may indirectly influence the Registrant's choice of TD Ameritrade for custody and brokerage services.

#### Research and Additional Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Registrant receives from a broker-dealer/custodian (another broker-dealer/custodian, investment platform, unaffiliated investment manager, vendor, unaffiliated product/fund sponsor, or vendor) without cost (and/or at a discount) support services and/or products, certain of which assist the Registrant to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by the Registrant may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Registrant in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that *may* be received may assist the Registrant in managing and administering client accounts. Others do not directly provide such assistance, but rather assist the Registrant to manage and further develop its business enterprise.

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at a broker-dealer as the result of this arrangement. There is no corresponding commitment made by the Registrant to a broker-dealer or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**The Registrant's Chief Compliance Officer, Kristofer Harrison, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding conflict of interest.**



2. The Registrant does not receive referrals from broker-dealers.
3. The Registrant does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Registrant will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Registrant. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

**Please Note:** In the event that the client directs Registrant to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Registrant. Higher transaction costs adversely impact account performance. **Please Also Note:** Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

**The Registrant's Chief Compliance Officer, Kristofer Harrison, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

- C. To the extent that the Registrant provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless the Registrant decides to purchase or sell the same securities for several clients at approximately the same time. The Registrant may (but is not obligated to) combine or "bunch" such orders to seek best execution, to negotiate more favorable commission rates or to allocate equitably among the Registrant's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. The Registrant shall not receive any additional compensation or remuneration as a result of such aggregation.

## **Item 13      Review of Accounts**

- A. For those clients to whom Registrant provides investment supervisory services, account reviews are conducted on an ongoing basis by the Registrant's Principals and/or representatives. All investment supervisory clients are advised that it remains their responsibility to advise the Registrant of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with the Registrant on an annual basis.

- B. The Registrant may conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

#### **Item 14      Client Referrals and Other Compensation**

- A. As referenced in Item 12.A.1 above, the Registrant receives an economic benefit from broker-dealers. The Registrant, without cost (and/or at a discount), receives support services and/or products from broker-dealers.

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at a broker-dealer as a result of this arrangement. There is no corresponding commitment made by the Registrant to a broker-dealer or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**The Registrant's Chief Compliance Officer, Kristofer Harrison, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding conflict of interest.**

- B. The Adviser does not compensate, directly or indirectly, any person, other than its representatives, for client referrals.

#### **Item 15      Custody**

The Registrant shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

**Please Note:** The Registrant shall provide the client with a written, periodic account statement or reports which, will disclose the fee, including any formulae used to calculate the fee and the time period covered by the fee and the amount of assets under managed on which the fee is based. The client is urged to compare any statement or report provided by the Registrant with the account statements received from the account custodian. Registrant's statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. **Please Also Note:** The account custodian does not verify the accuracy of the Registrant's advisory fee calculation.

**Item 16 Investment Discretion**

The Registrant does not provide discretionary investment management services.

**Item 17 Voting Client Securities**

- A. The Registrant does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact the Registrant to discuss any questions they may have with a particular solicitation.

**Item 18 Financial Information**

- A. The Registrant does not solicit fees of more than \$500, per client, six months or more in advance.
- B. The Registrant does not provide discretionary investment management services.
- C. The Registrant has not been the subject of a bankruptcy petition.

**Item 19 Requirements for State-Registered Advisors**

- A. The Registrant's is solely owned by Kristofer Harrison, who serves as the Registrant's President and Chief Compliance Officer. For more information about Mr. Harrison, please refer to the ADV Part 2B Brochure Supplement.
- B. The Registrant is not engaged in any other business than as set forth in this Brochure.
- C. Neither the Registrant nor its representatives accept performance-based fees.
- D. Neither the Registrant nor its representatives have been the subject of any disciplinary actions.
- E. Neither the Registrant nor its representatives have any relationship or arrangement with any issuer of securities.

**ANY QUESTIONS: The Registrant's Chief Compliance Officer, Kristofer Harrison, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**