

# Cary Street Partners Investment Advisory LLC

## Form ADV Part 2A Wrap Fee Brochure

SEC File No. 801-64239

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This brochure provides information to clients and prospective clients about the qualifications and business practices of Cary Street Partners Investment Advisory LLC (“CSPIA” or the “Firm”). If you have any questions about the contents of this brochure, please contact us at 804-340-8100. 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.

CSPIA is an SEC registered investment adviser. Registration does not imply a certain level of skill or training. The oral and written communications of an adviser provide you with the necessary information allowing you to determine whether to hire or retain an adviser.

Additional information about CSPIA is also available via the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s website also provides information about any persons affiliated with CSPIA who are registered, or are required to be registered, as investment adviser representatives of CSPIA.

## Item 2 Material Changes

This Brochure, dated March 31, 2021, was prepared in accordance with SEC requirements and contains both changes and clarifications that are not deemed material, as well as the following material changes from CSPIA's last Brochure amendment filed on July 29, 2020.

### ***Item 4 Advisory Business***

As of December 31, 2020, CSPIA had **\$1,626,216,250** in assets under management on a discretionary basis and **\$1,628,461,135** in assets under management on a non-discretionary basis.

### **Corporate Changes**

Jessica Thompson was hired effective November 1, 2020 as the new Chief Compliance Officer ("CCO") for the Firm.

As previously noted, Tradition Capital Management LLC in Summit, NJ was acquired by Cary Street Partners Financial LLC ("CSPF", the parent company of the Firm), with the transaction closing in May 2019. It continued to operate as a new entity, Tradition Asset Management LLC ("TAM"), until November 2020. At that time, TAM withdrew from registration with the SEC, and its assets and personnel were fully transitioned to the Firm and its other investment advisory affiliate Cary Street Partners Asset Management LLC ("CSPAM").

In May 2020, the Firm formally changed the name of its holding company/parent company to Cary Street Partners Financial LLC from Luxon Financial LLC. In addition to the holding company, the asset management and wealth management subsidiary businesses (CSPAM and CSPIA), and the brokerage affiliate, are also associated with the trade name Cary Street Partners.

### **Response to the COVID-19 Pandemic and Enacting the CSP Business Continuity Plan**

The Firm's policy is to respond to a Significant Business Disruption ("SBD") by safeguarding employees' lives and Firm property, making a financial and operational assessment, quickly recovering and resuming operations, protecting all of the Firm's books and records, and allowing our customers to transact business.

In response to the COVID-19 pandemic, the Firm enacted the Business Continuity Plan. No significant issues were reported to Compliance. Human Resources developed, implemented and communicated protocols specific to various job functions and office locations to align with recommendations made by the United States Centers for Disease Control and Prevention and various state government agencies. Compliance assessed and implemented any enhanced supervision requirements to be undertaken due to the pandemic and people working from home for extended periods.

In the past, we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to SEC rules, we will ensure that you receive a summary of

any material changes to this and subsequent brochures within 120 days of the close of our business' fiscal year. As determined necessary, we will provide other ongoing disclosure information about material changes.

We will further provide you with a new brochure, as necessary, based on changes or additional information, at any time, without charge. Please contact CSPIA's Compliance Department at (804) 340-8100 or [info@carystreetpartners.com](mailto:info@carystreetpartners.com) to request our brochure. Our brochure is also available on our website at [www.carystreetpartners.com](http://www.carystreetpartners.com).

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## Item 4 - Services, Fees and Compensation

CSPIA was established on September 9, 2003 and is an SEC registered investment adviser. In addition, the Firm is a wholly owned subsidiary of Cary Street Partners Financial LLC (“CSPF”), formerly Luxon Financial LLC.

CSPIA provides individualized non-discretionary and discretionary advisory services to various categories of institutional and individual clients who wish to participate in financial planning, separately managed accounts (“SMA”), mutual funds, closed end funds, exchange traded funds, annuities, fixed income, structured notes, and equities; or who want to invest in private equity funds or other alternative investment vehicles. As of December 31, 2020, CSPIA had **\$1,626,216,250** in assets under management on a discretionary basis and **\$1,628,461,135** in assets under management on a non-discretionary basis.

All services described in this brochure begin with a consultation between you and a CSPIA Investment Adviser Representative (“IAR”, “Financial Advisor”, or “FA”) to review your investment objectives, financial situation, and risk tolerance. Depending on the investment program, you are asked to complete a Client Profile to document the results of this assessment. After review of your profile, working with the FA, you will determine which program is appropriate for your needs.

Your FA will provide advisory services that may include allocation of assets among different classes, portfolio diversification, managing portfolio risk, portfolio monitoring evaluation, investment policy statement development, manager search and recommendation, financial planning, and other general economic and financial topics. Your FA will construct a portfolio of securities based on your individual needs, risk tolerance and investment objectives. Account supervision is guided by the stated objectives of the client (*e.g.*, maximum capital appreciation, growth, etc.), and all managed accounts will be maintained with an independent qualified custodian.

### SERVICES

#### Cary Street Partners FA Directed Wrap Program

Cary Street Partners FA Directed Wrap Program provides investment management services on a discretionary basis to each client. Our wrap fee program allows you to pay a single fee that covers advisory services, trade execution, custody, and other standard brokerage services. Each FA develops well-diversified portfolios designed to match the client’s financial goals, needs, risk tolerance and financial situations. Your FA will recommend that you establish account(s) at Wells Fargo, Charles Schwab, TD Ameritrade, Fidelity, Raymond James or another qualified custodian. Ultimately, though, it is your decision to custody assets with one of these or another qualified custodian of your choosing. CSPIA is independently owned and operated and not affiliated with Wells Fargo, Charles Schwab, TD Ameritrade, Fidelity, Raymond James or any other qualified custodian.

#### CSPAM Wrap Programs

CSPIA offers clients discretionary management services through its affiliate, Cary Street Partners Asset Management (“CSPAM”), a registered investment adviser. CSPAM provides investment strategy services and is the Portfolio Manager of various wrap fee programs, each sponsored by various registered investment advisers. Please review the CSPAM Disclosure Brochure and Wrap Fee Brochure (Form ADV

Part 2A Firm Brochure and Part 2A Wrap Fee Brochure) for a complete description of its services, fee schedules and account minimums regarding its wrap fee programs.

CSPAM manages specific investment strategies in wrap fee programs for both non-discretionary Model and discretionary Wrap Account programs sponsored by unaffiliated financial institutions similar to its management of the same strategies implemented in its CSP Global portfolios for example. In both the Wrap Account/Model programs however, CSPAM personnel primarily support the financial institution sponsoring the wrap program (“Sponsor”) and not the actual underlying client. There are fundamental differences between a Wrap Account and Model program. In a traditional Wrap Account program, a client selects the Sponsor. The Sponsor will work with the client to select an approved discretionary investment adviser, like CSPAM, for a particular investment strategy.

From time to time, the Sponsor will communicate any specific client needs/requests to CSPAM, and CSPAM will evaluate for reasonableness within the strategy. CSPAM relies on the Sponsor to gather the necessary information and assess the suitability of its investment style to the individual needs and financial situation of a Wrap Account client. For Wrap Accounts, CSPAM exercises investment discretion and delivers buy/sell instructions to the Sponsor’s platform. The Sponsor is responsible for execution of each transaction in the client accounts.

Under the Model programs, depending on the model, the Sponsor or its designated representative, sometimes referred to as an “overlay manager,” exercises investment discretion and executes each client’s portfolio transactions based on the Sponsor’s own investment judgment. CSPAM does not tailor the model portfolio to the individual needs of any program client. CSPAM does not evaluate suitability for clients in a Model program.

In both types of wrap Sponsored programs, the Sponsor provides a bundle of services for a single fee. Typically, this bundle of services includes the review and monitoring of selected investment advisers approved in the program, performance evaluation of the adviser, execution of the client’s portfolio transactions, custodial services of the client’s assets and payment of CSPAM’s advisory fee and other fees that may be charged in the Sponsor’s program.

CSPIA has an agreement with Wells Fargo Clearing Services, LLC, also known as Wells Fargo Advisors (“WFA”), pursuant to which WFA provides advisory and/or other services with respect to certain wrap fee programs (“WFA Programs”) which are related to the FA Directed Program. Please review the appropriate WFA Disclosure Brochure (Form ADV Part 2A Firm Brochure and Wrap Fee Brochure) for a complete description of the services, fee schedules and account minimums for its wrap fee programs.

Certain investment programs, whether offered directly through CSPIA or through a Third-Party Platform, may offer investment products or utilize Sub-Managers affiliated with CSPIA.

## **FEES AND COMPENSATION**

### **Wrap Fee Programs**

In most cases, the Wrap fee program fees are negotiable. However, certain WFA wrap fee programs have household minimums that cannot be waived or negotiated. Please review the appropriate WFA Disclosure

Brochure (Form ADV Part 2A) for a complete description of the services, fee schedules and account minimums for WFA's wrap fee programs.

A wrap fee is not based directly on the number of transactions in your account. Various factors influence the relative cost of our wrap fee program to you, including the cost of our investment advice, custody and brokerage services if you purchased them separately, the types of investments held in your account, and the frequency, type and size of trades in your account. The wrap fee program could cost you more or less than purchasing our investment advice and custody/brokerage services separately.

Our wrap fee covers our advisory services and the brokerage services provided by your qualified custodian including custody of assets, equity trades, ETFs, and agency transactions in fixed income securities. As a result, we have an incentive to execute transactions for your account with your qualified custodian.

Our wrap fee does not cover all fees and costs. The fees not included in the wrap fee include the following: charges imposed directly by a mutual fund, index fund, or exchange traded fund which shall be disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses); mark-ups and mark-downs; spreads paid to market makers; fees (such as a commission or markup) for trades executed away from your qualified custodian at another broker-dealer; wire transfer fees; and other fees and taxes on brokerage accounts and securities transactions.

### **Other Advisory Services Fees**

Our advisory services do not impose performance-based fees. Fees are based on the value of the assets in your account, and CSPIA shall not be compensated on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of client (i.e., performance-based fee).

CSPIA may assess fee minimums and certain flat or fixed fee pricing arrangements which may exceed 2% of the total assets under management and are higher than fees charged by certain other advisers that provide the same or similar services.

Cash Sweep Program (the "Sweep Program"), uninvested cash balances – for which no interest is otherwise earned or paid – in your account are automatically swept into interest-bearing deposit accounts ("Bank Deposit Sweep") or, if available, money market mutual funds ("Money Market Funds") or such other sweep arrangements made available to you (collectively "Cash Sweep Vehicles"), until these balances are invested by you or otherwise needed to satisfy obligations arising in connection with your account.

CSPIA and our affiliates, in some cases receive fees and benefits for services provided in connection with the Sweep Program, and we may choose to make available the Cash Sweep Vehicles that are more profitable to us than other money market mutual funds or bank deposit accounts. A portion of these fees may be paid to your FA.

### **Lending Services – Interest Charges**

A portion of the interest charged on the outstanding balances of margin loans or Securities backed lines of credit ("SBLOC") will be paid to CSPIA and solely with respect to an SBLOC, to your FA. An interest rate may be individually negotiated instead of based on the WFCS base rate, and negotiated rates may have an expiration date, after which CSPIA/CSP may change your rate, without giving you any prior notice of

the change, based on factors determined by CSPIA/CSP, in our sole discretion, including without limitation the account activity and our overall business relationship.

## **Item 5 Account Requirements and Types of Clients**

These advisory services are provided to individuals, pension or profit-sharing plans, trusts, estates or non-profit organizations, corporations or other business entities and governmental entities, educational institutions, as well as banks or thrift institutions.

Please review the appropriate WFA Disclosure Brochures (Form ADV Part 2A Firm and Wrap Fee Brochures) for a complete description of the services, fee schedules and account minimums for WFA's wrap fee programs.

## **Item 6 Portfolio Manager Selection and Evaluation**

The investment strategies utilized depend on your investment objectives and financial goals as provided to us. Most portfolios are constructed along basic investment objective categories such as:

- Conservative Growth;
- Conservative Growth and Income;
- Conservative Income;
- Moderate Growth;
- Moderate Growth and Income;
- Moderate Income;
- Long-Term Growth;
- Long-Term Growth and Income; and
- Long-Term Income.

Portfolios include investments in companies of all sizes and in any sector, public and private, including investments in energy, natural resources, distressed securities, real estate, venture capital and buy-out, and other private equity, as well as any other business sectors or types of investments. In some cases, FA's invest in securities and financial instruments that employ hedging or other non-traditional investing techniques, such as long and short equity investing, relative value and event driven arbitrage strategies, distressed securities investing, trading and short selling strategies, opportunistic investing in global equity and fixed income investing, and specialized equity investing.

FAs choose managers for their expertise, investment strategies, and demonstrated ability to achieve risk adjusted rates of return greater than those available through traditional public equity investing. FAs place emphasis on managers who engage in extensive research and fundamental analysis. In selecting managers, FAs consider factors, including, but not limited to:

- Strong consistent historical returns;
- Well-articulated and understandable investment strategies;
- Reasonable expenses;
- Tax efficiency;
- Transparency;



- Manageable downside risk; and
- A strong cohesive team that is aligned with investor interests.

## Risk of Loss

For all of the investment and market risks described here, it should be noted that investing in securities involves a risk of loss that clients should be prepared to bear. There is no performance guarantee associated with investing in any investment strategy or security type. Certain investments are considered to be higher risk than others due to such factors as individual security trading liquidity, and foreign and domestic market liquidity, among other factors.

CSPIA does not represent, warrant, or imply that the services or methods of analysis used can or will predict future results, successfully identify market tops or bottoms, or insulate clients from major losses due to market corrections or crashes. No guarantees are offered that clients' goals or objectives will be achieved. Further, no promises or assumptions can be made that the advisory services offered by CSPIA will provide a better return than other investment strategies.

**Equity Security Risks.** Equity markets are volatile and impacted by liquidity and investor sentiment. Many issues impact investor sentiment and thus investors' willingness to participate or purchase equity securities or thus provide liquidity to the market. Investor sentiment is impacted by economic conditions, sovereign monetary policy, political climate, world events, tax rates and other social factors. Sentiment can change rapidly causing major stock price declines in short order. It is difficult, if not impossible, to forecast these changes in sentiment and the resulting price declines. Thus, investing in stocks is a risky proposition that could result in significant losses that are not related to an individual company's fundamentals. However, individual companies also have the potential to 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, which is the principal risk of investing in equity securities.

**Market Event Risks.** Some countries and regions in which CSPIA invests have experienced security concerns, outbreaks of infectious diseases, pandemics, war or threats of war and aggression, terrorism, economic uncertainty, natural and environmental disasters and/or systemic market dislocations which have led, and in the future may lead, to increased market and liquidity volatility and exchange trading suspensions and closures. These events may have adverse effects on the U.S. and world economies and markets generally, each of which may negatively impact CSPIA's investments and performance.

**Individual Security Risks.** Each equity security has the risks mentioned above and has company or industry related fundamental risks. As above, sentiment and liquidity can create price declines or negatively impact valuation metrics. In addition, companies are faced with other fundamental risks like changes in industry, competition, lower demand for products, technological obsolescence, competitor innovation, patents, regulatory changes, political risks, cost inflation, labor relations, environmental issues, product liability and numerous other fundamental factors. Negative fundamental factors can reduce a company's equity value. In addition, some companies also face financial risks as they are dependent on raising capital in the financial markets to fund their operations. Financial markets may refuse to provide this funding.

**Fixed Income Security Risks.** Fixed income investments have the same liquidity and volatility risks of all financial assets. In addition, they have several other asset-class specific risks. Inflation risk reduces the real value of such investments as purchasing power declines on nominal dollars that are received as principal and interest. Interest rate risk comes from a rise in interest rates that causes a fixed income security to decline in price in order to make the market price-based yield competitive with the prevailing interest rate climate. Fixed income securities are also at risk of issuer default or the markets' perception that default risk has increased. In default, either some or all the securities' interest and principal payments will be omitted or delayed. The increase of this possibility can, in itself, cause the market price for a fixed income security to fall. CSPIA attempts to manage these risks by designing strategies that focus on fixed income diversification.

The credit rating or financial condition of an issuer can affect the value of a fixed income or debt security. Generally, the lower the quality rating of a security, the greater the risk that the issuer will fail to pay interest fully and return principal in a timely manner. The issuer of an investment grade security is more likely to pay interest and repay principal than an issuer of a lower rated bond. Adverse economic conditions or changing circumstances, however, can weaken the capacity of the issuer to pay interest and repay principal. High yield or "junk" bonds are considered to be "less than investment grade" (rated BB and lower) and can be highly speculative securities that are usually issued by less creditworthy and/or highly leveraged (indebted) companies. Compared with investment grade bonds, high yield bonds can carry a greater degree of risk and can be less likely to make payments of interest and principal.

**Liquidity Risks.** Despite the heavy volume of trading in securities and futures, the markets for some securities and futures, such as certain private funds or interval funds, have limited liquidity and depth. This lack of depth could disadvantage an investor, both in the realization of the prices which are quoted and in the execution of orders at desired prices.

**Option Security Risks.** Options involve risks and are not suitable for everyone. Options trading can be speculative in nature and can carry substantial risk of loss.

CSPIA helps manage or mitigate the risks discussed above by selecting investment strategies, investment managers, investment structures, and individual securities within diversified portfolios, that spread security risk across numerous asset classes, companies, sectors of investment, and strategic allocation targets.

**Cybersecurity Risks.** Any significant limitation on the use of our facilities or the failure or security breach of our software applications or operating systems and networks, including the potential risk of cyber-attacks, could result in the disclosure of confidential client information and financial losses. CSPIA maintains policies and procedures to reduce risks related to cybersecurity.

**Business Disruption Risks.** Business disruptions resulting from catastrophic and other material events (such as a pandemic) could negatively impact our ability to continue to transact business. Any significant limitation on the use of our facilities or our software applications, operating systems and networks could result in financial losses. Similar types of business disruption risks are also present for issuers of securities in which we invest, which could result in material adverse consequences for such issuers and may cause your investments to lose value. CSPIA maintains business continuity and disaster recovery policies and

procedures that seek to identify and plan for potential disruptions; these policies and procedures are tested at least annually.

## **Item 7 Client Information Provided to Portfolio Managers**

Client information for the WFA wrap programs are generally shared with portfolio managers through the account opening process and upon request by the portfolio manager. Clients enrolled in the FA Directed Wrap Program custodied at Schwab, TD Ameritrade, and Fidelity will provide client information to the portfolio manager during the account opening process. Client information is obtained via the CSPIA Client Profile which provides information such as client's investment objectives, investment experience, net worth and any other details to assist the portfolio manager in managing the account. We will only share the information necessary in order to carry out our obligations to you in servicing your account. We share your personal account data in accordance with our privacy policy.

## **Item 8 Client Contact with Portfolio Managers**

There are no restrictions on clients contacting the portfolio manager regarding their account setup in a FA Directed Wrap Program. In some cases, third-party managers or sub-advisors will have restrictions regarding client contact. Clients should contact their primary advisor or wrap program portfolio manager regarding changes or updates to the account.

## **Item 9 Additional Information**

### **DISCIPLINARY INFORMATION**

Neither CSPIA, nor its management personnel, are involved, and have not been involved, in any legal or disciplinary events that are considered material.

### **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

CSPIA is a registered investment adviser with the SEC. The appropriate personnel of CSPIA are registered as investment adviser representatives within their state jurisdiction. Currently, there is not a pending application for registration as a futures commission merchant, commodity pool operator, commodity trading advisor or an associated person for CSPIA.

#### ***Cary Street Partners LLC***

Cary Street Partners LLC ("CSP") is a registered broker-dealer and member of the Financial Industry Regulatory Authority ("FINRA"). CSP provides investment banking, wealth management and brokerage services to its clients. Client accounts of CSP are custodied at WFCS. Currently, there is not a pending application for registration as a futures commission merchant, commodity pool operator, commodity trading advisor or an associated person for CSP, the broker-dealer affiliate or any management person.

CSP, will serve, periodically, as a private placement agent for issuers of equity and debt securities. In that capacity, certain advisory clients who are accredited investors and qualified advisory clients for which the private placement is suitable are shown transactions represented by CSP. If they elect to do so and are acceptable to the issuer and its counsel, these clients purchase securities in some of those offerings.

In addition, CSPF, the holding company for CSP and CSPIA, has completed private placements of securities and some of our qualified advisory clients invested in those offerings. The Firm could offer similar investments to our investment advisory clients in the future.

CSP offers a securities-backed loan program (offering securities-backed lines of credit or “SBLOC”s) through its clearing firm, WFCS, and CSPIA refers clients to the CSP/WFCS program. The loans are secured by eligible marketable securities held in custody at WFCS.

CSPIA and your Advisor will have an incentive to recommend borrowing money on a client account and pledging the assets as collateral through CSP. Both CSPIA and CSP are under common ownership and control, and CSP sets the interest rates on which your margin account or SBLOC will be charged. A portion of the interest charged on the outstanding balance of your margin loan or SBLOC will be paid to CSPIA, and solely with respect to an SBLOC, to your Advisor. Additionally, for margin loans, the purchase of securities in the account will result in increased asset-based fees, which may provide an incentive for your Advisor to recommend the use of margin.

***Riverstone Business Advisory Services, Inc.***

RiverStone Business Advisory Services, Inc. (“RBAS”), is an affiliated entity of CSPIA and a wholly owned subsidiary of CSPF. Through this entity, certain FAs provide business consulting, bookkeeping services and tax services. Only a limited number of FAs participate in this entity.

***Luxon Insurance Services LLC***

Luxon Insurance Services LLC (“Luxon Insurance”) is an affiliated entity of CSPIA and a wholly owned subsidiary of CSPF. Luxon Insurance provides business insurance services to clients and corporate entities.

***Cary Street Partners Asset Management LLC***

Cary Street Partners Asset Management LLC (“CSPAM”) is an affiliated entity of CSPIA and a wholly owned investment advisory subsidiary of CSPF. CSPAM provides sub-advisory investment management services to clients of affiliated and unaffiliated Investment Advisors who have engaged with CSPAM. In limited circumstances, CSPAM provides its services directly to retail clients, but generally all services are provided through Advisors, who then interact with the clients.

**CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

CSPIA is guided in all actions by the highest ethical and professional standards. Accordingly, the Firm has embraced the SEC’s adoption of the “Code of Ethics rule”, as an opportunity to affirm its duty to its clients. CSPIA’s Associates are required to comply with the CSPIA’s Code of Conduct and related policies which are made available to all employees.

Pursuant to the Securities and Exchange Commission’s adoption of this rule, CSPIA has adopted this Code of Ethics (“the Code”) in order to set the standards of conduct to be followed by all persons associated with CSPIA. The policies and guidelines set forth in this Code of Ethics must be strictly adhered to by all employees. Severe disciplinary actions, including dismissal, may be imposed for violations of this Code of Ethics.

CSPIA's Advisory Code of Ethics consists of the Code of Ethics and Personal Trading policies together with the CSPIA Code of Conduct. All Advisory Supervised Persons are subject to the requirements of this Code of Ethics. Advisory Supervised Persons are IA employees acting in an investment advisory capacity and have a fiduciary obligation to their advisory clients to:

- Place the advisory clients' interests over their own;
- Comply with this Code of Ethics and the CSPIA's Investment Advisers Policies and Procedures Manual;
- Comply with applicable federal and state securities laws; and
- Avoid actual or potential conflicts of interest or fully disclose them to the client.

In addition, we have adopted a Privacy Policy to prohibit the transmission, distribution or communication of any information regarding securities transactions in client accounts or other non-public client information. Violation of the Privacy Policy is also considered a violation of this Code of Ethics.

## REVIEW OF ACCOUNTS

CSPIA associates will review your account on a periodic basis to evaluate performance, concentration, style drift, cash flows, adherence to investment guidelines or restrictions, investment selection, and asset quality and other metrics of the investment vehicle. CSPIA, if requested, will show you how the investment compares to its peers and/or relevant benchmark and provide other assessments.

Upon the opening of each account, your investment objectives and strategy are reviewed for approval and consistency. Thereafter, accounts are reviewed on a transaction, monthly, quarterly or annual basis, as applicable, to monitor the account's performance, the individual mutual funds for appropriateness, and certain restrictions that apply. Additional reviews take place during the year as requested by each client. Finally, your custodian will transmit to you, a statement of account activity at least quarterly.

## CLIENT REFERRALS AND OTHER COMPENSATION

CSPIA, as a matter policy and practice, compensates persons, i.e., individuals or entities, for the referral of advisory clients to the Firm, provided appropriate disclosures and regulatory requirements are met. Under the SEC Cash Solicitation Rule (Rule 206(4)-3) and comparable rules adopted by most states, investment advisers may compensate persons who solicit advisory clients for a firm if appropriate agreements exist, specific disclosures are made, and other conditions are met under the rules. CSPIA's CCO must approve any solicitor arrangement. Upon Compliance approval, CSPIA will enter into solicitation agreements providing cash compensation to solicitors who secure clients for its investment advisory programs. These agreements are fully disclosed to the client.

### **TD Ameritrade AdvisorDirect**

CSPIA participates in the institutional advisor program (the "Program") offered by TDA Institutional ("TDA"). TDA is a division of TD Ameritrade, member FINRA/SIPC, an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. CSPIA receives

some benefits from TD Ameritrade through participation in the Program. As part of the program, CSPIA may recommend TD Ameritrade to clients for custody and brokerage services.

There is no direct link between CSPIA's participation in the program and the investment advice it gives to its clients, although CSPIA 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 CSPIA 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 Advisor by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by CSPIA's related persons. These products or services may assist CSPIA in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help CSPIA manage and further develop its business enterprise. The benefits received by CSPIA 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, CSPIA endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by CSPIA or its related persons in and of itself creates a potential conflict of interest and may indirectly influence CSPIA's choice of TD Ameritrade for custody and brokerage services.

CSPIA receives client referrals from TD Ameritrade through its participation in TD Ameritrade AdvisorDirect. In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, CSPIA may have been selected to participate in AdvisorDirect based on the amount and profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of and unaffiliated with CSPIA. TD Ameritrade does not supervise CSPIA and has no responsibility for CSPIA's management of client portfolios.

CSPIA pays TD Ameritrade an on-going fee for each successful client referral. This does not apply to already existing clients of CSPIA. For referrals that occurred through AdvisorDirect before April 10, 2017, this fee is a percentage (not to exceed 25%) of the advisory fee that the client pays to CSPIA ("Solicitation Fee"). For referrals that occurred through AdvisorDirect on or after June 9, 2017, the Solicitation Fee is an annualized fee based on the amount of referred client assets that does not exceed 25% of 1%, unless such client assets are subject to a Special Services Addendum. In the case of a Special Services Addendum, the Solicitation Fee is an annualized fee based on the amount of referred client assets that does not exceed 10% of 1%. CSPIA will also pay TD Ameritrade the Solicitation Fee on any advisory fees received by CSPIA from any of a referred client's family members, including a spouse, child or any other immediate family member who resides with the referred client and hired CSPIA on the recommendation of such referred client.

CSPIA will not charge clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to TD Ameritrade to its clients. For information regarding additional or other fees paid directly or indirectly to TD Ameritrade, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form.

CSPIA's participation in AdvisorDirect raises potential conflicts of interest. TD Ameritrade will most likely refer clients through AdvisorDirect to investment advisors that encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. CSPIA has an incentive to recommend clients to select TD Ameritrade as the custodian and place trades with TD Ameritrade. CSPIA will continue to obtain competitive, or lesser-in-cost, custodial and brokerage charges and commissions than those available at other brokers and custodians. CSPIA has agreed not to solicit clients referred through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. CSPIA's participation in AdvisorDirect does not diminish its duty to seek best execution of trades for client accounts.

CSPIA, at its sole discretion, will engage in joint marketing activities with investment managers and/or sponsors of mutual funds in the investment advisory programs it offers. These managers and/or sponsors pay a portion, or all, of the cost of the activities, which payment at times takes the form of reimbursement to CSPIA.

Clients who have investment advisory accounts with CSPIA also have other accounts with the Firm or its affiliates in which management fees are not charged. The payment of commissions in these non-managed accounts is negotiated on an entirely separate basis from the payment of fees and commissions, if any, in the investment advisory accounts.

## FINANCIAL INFORMATION

Registered investment advisers are required in this item to provide you with certain financial information or disclosures about their financial condition. CSPIA has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.